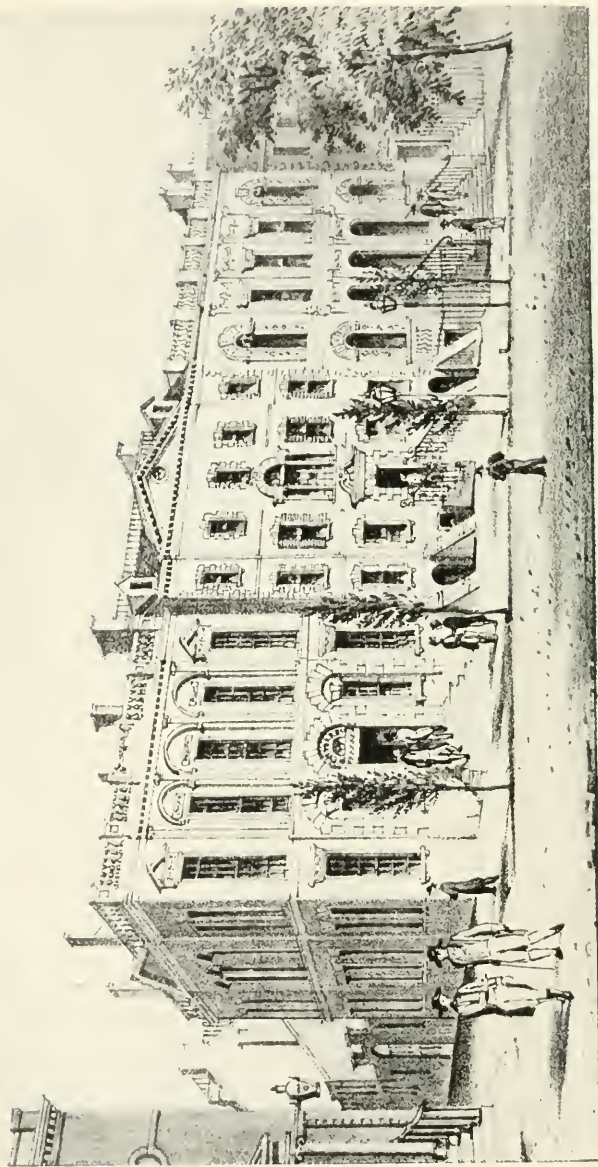






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Corner of Wall and William Streets, 1800. No. 34 (old number) in center, first home of The Farmers' Loan & Trust Company, the oldest loan and trust institution in America.

The Story
of the
Trust Companies

By
Edward Ten Broeck Perine

Illustrated

G. P. Putnam's Sons
New York and London
The Knickerbocker Press
1916

RP

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The Knickerbocker Press, New York

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To

MY FRIEND OF MANY YEARS

JAMES HERBERT CASE



FOREWORD

TRUST companies are a modern development. Their literature, as revealed in the bibliography at the close of this volume, has been of limited scope, although statistics have now been available for some years and the legal aspects and technical methods of operating the companies have had bestowed upon them a considerable degree of attention. The present book is intended, with an avoidance of technicalities, to sketch the beginnings and advances of the older companies, and to bring the individual narratives of a number of the largest institutions down to 1916,—a point within one hundred years of the original announcement by an American corporation of an intention to transact a trust business.

In most localities there are well defined differences between banks and trust companies. The former serve their clients as depositories and extend credit in proportion

to the accounts thus handled, the general rule being not to pay interest on deposits belonging to those who are borrowers. Many trust companies, particularly in the smaller communities, follow the same practice, but their usual function is as the holders of moneys not actively employed for commercial purposes; on these sums interest is paid; when they are withdrawn it is frequently for permanent investment. Their so-called trust powers comprise the registering and transferring of stock, the certification of corporate bonds, appointment to act as executor, administrator, trustee, committee, agent, and in almost every capacity in which individuals might act with the more limited ability of individuals.

One author has said of the trust companies that they are the department stores of finance. It is an apt metaphor, for the service they render in these times, and the skill and common sense demanded of their managements are exacting to a degree greater than in almost any other line of business activity. Their history deserves to be written, and although it has been necessary to omit references to many hun-

dreds of institutions of less size than those whose names have been woven into the following text, it is, nevertheless, due them to say that each has its honorable part in a line of endeavor in which the test is not merely dollars piled up, but a good name.

The author owes much to the other writers mentioned herein. Thanks are also due for the generous help given by trust company officials everywhere who have aided in gathering and assembling specific facts, figures, and illustrations. Of the last named, those which serve as a reminder of the old days when trust companies put out their own circulating notes have been furnished from a splendid collection of paper money made by Mr. David Proskey of the New York Coin & Stamp Company. This is true of each of the facsimile notes, except the little Fairfield Loan & Trust Company's half-dollar of scrip, which has been kindly loaned by Mr. Wayte Raymond of the United States Coin Company of New York.

E. T. P.

NEW YORK, September 30, 1916.

CONTENTS

	PAGE
FOREWORD	V
CHAPTER I	
Events prior to and during 1812; An address from the President and Trustees, Pennsylvania Company for Insurances on Lives and Granting Annuities; Farmers Fire Insurance & Loan Company, the first incorporation with trust powers . . .	1-17
CHAPTER II	
Events following 1822; New York Life Insurance & Trust Company, the first incorporation with "trust" in title; Its organization; Early reports	18-31
CHAPTER III	
Banking expansion; Warnings in the public prints; Re-incorporation of Farmers'; Re-incorporation of Pennsylvania Company; Incorporation of Girard	32-52
CHAPTER IV	
Bank statistics of 1835; Ohio Life Insurance & Trust; Southern Life Insurance & Trust; Fairfield, Connecticut Loan & Trust Company; Panic of 1837; First convention of American bankers . . .	53-65

CHAPTER V

PAGE

New York State Free Banking Act and its consequences; New York State trust companies incorporated under Free Banking Act; Invasion of Wall Street by out-of-town concerns; "The Wall Street Chorus"; Supervision by Comptroller at Albany; Office of Superintendent of Banks established at Albany; Buffalo and Philadelphia trust companies; Early litigation; Magazine comment of 1854 . . .	66-82
--	-------

CHAPTER VI

Incorporation of United States Trust of New York, 1853; Test of constitutionality of its charter; Early reports; An auction sale of property held under a receivership; American Bible Society Trusteeship	83-94
--	-------

CHAPTER VII

Failure of Ohio Life Insurance & Trust; Panic of 1857; Incorporation of Merchants' Loan & Trust of Chicago	95-106
--	--------

CHAPTER VIII

Six pioneers described since 1865: Farmers'; New York Life; Pennsylvania Company; Girard; United States Trust; Merchants' of Chicago; Some functions and illustrative appointments.	107-121
---	---------

CHAPTER IX

Union of New York; Provident Life & Trust of Philadelphia; Fidelity of Philadelphia; Brooklyn Trust; Rhode Island Hospital Trust; A Bankers Directory of 1868	122-138
---	---------

Contents

xi

CHAPTER X

PAGE

Citizens Savings & Trust of Cleveland; New England of Boston; Philadelphia Trust; Union of Chicago; Illinois Trust & Savings; Panic of 1873; Boston Safe Deposit & Trust; Central of New York	139-152
---	---------

CHAPTER XI

Supervisory legislation; Lack of early figures; Report by New York State Superintendent of Banks; First Tabulation by Comptroller of the Currency; Real Estate Loan and Trust of Washington, D. C; Inactivity from 1876 to 1880	153-165
---	---------

CHAPTER XII

Metropolitan of New York; Title Guarantee & Trust of New York; Land Title & Trust of Philadelphia; Lawyers Title Insurance of New York; Fidelity of Newark; Industrial of Providence; Franklin of Brooklyn	166-182
--	---------

CHAPTER XIII

New York Trust; Union of Pittsburgh; Security Trust & Savings of Los Angeles; Continental and Commercial of Chicago; Old Colony of Boston; Mississippi Valley of St. Louis	183-194
--	---------

CHAPTER XIV

Guaranty of New York; Contrast of 1896 and 1916 aggregates; Panic of 1893; United States Mortgage & Trust of New York; Union of San Francisco; Cleveland Trust; Canal Bank & Trust of New Orleans; Mercantile of St. Louis; Commercial of Jersey City	195-214
---	---------

CHAPTER XV

PAGE

Growth in the new century; "Trust Companies"— Magazine; Equitable of New York; Empire of New York; Central of Chicago; First Trust and Savings of Chicago; Bankers of New York; Baltimore and San Francisco fires	215-230
---	---------

CHAPTER XVI

Panic of 1907; Re-opening of Knickerbocker Trust; Columbia Trust of New York; Astor Trust of New York; Foreign companies	231-241
--	---------

CHAPTER XVII

Savings Union Bank & Trust of San Francisco; Los Angeles Trust & Savings; German American Trust & Savings of Los Angeles; Commerce of Kansas City; Hibernia Bank & Trust of New Orleans; Northern of Chicago; Harris Trust of Chicago; Chicago Title & Trust; Hibernian Bank- ing Association of Chicago; Guardian Savings & Trust of Cleveland; Union Savings Bank & Trust of Cincinnati; Fidelity Title & Trust of Pittsburgh; Colonial of Pittsburgh; Mercantile Trust & Deposit of Baltimore; Commercial of Philadelphia; Roches- ter Trust & Safe Deposit; Security of Rochester; Trust & Safe Deposit of Onondaga, Syracuse; Hudson Trust of Hoboken; Trust Company of New Jersey, Hoboken; Broadway Trust of New York; Peoples of Brooklyn; Kings County of Brooklyn; American of Boston; State Street of Boston; Commonwealth of Boston	242-262
--	---------

Contents

xiii

CHAPTER XVIII

PAGE

- Trust Company Section, American Bankers Association, Origin; Annual meetings; Recent accomplishments; Social features; Official arrangements . 263-275

CHAPTER XIX

- Personnel, men in public life; Merchants and manufacturers; Professional men; Private bankers and capitalists; Corporate bankers . . . 276-287

CHAPTER XX

- Suspensions and failures; The reserve question in New York; Admission of trust companies to New York Clearing House; Statistics of recent years . 288-299

APPENDIX "A"

- Aggregate resources and liabilities of seventy Leading Companies, shown comparatively for 1906 and 1916 300-307

APPENDIX "B"

- Bibliography 308-312
Index 313



ILLUSTRATIONS

	PAGE
Corner of Wall and William Streets, 1800. No. 34 (old number) in center, first home of The Farmers' Loan and Trust Com- pany, the oldest loan and trust institution in America <i>Frontispiece</i>	
Handwritten Index of "Political Pamphlets." A collection made by Thomas Jefferson about 1815, containing (No. 4) a reference to the first literature issued by The Pennsylvania Company for Insurances on Lives and Granting Annuities	8
The earliest announcement of a company with power "to execute trusts" in a cor- porate capacity. From the New York <i>Evening Post</i> , August 6, 1822	14
A circular issued about 1836, describing Benefits of Life Insurance	46
An interest bearing note for 50 cents. Issued in Connecticut, 1837	60
A one dollar bill of a New York trust com- pany. Issued in 1841, under the "Free Banking" Act	68

	PAGE
Stock certificate issued in Mobile under a charter dated early in 1836	72
Specimen of unissued circulation as originally held in the custody of the Comptroller of New York State	78
The first home of The Merchants' Loan & Trust Company. Corner of La Salle and South Water Streets, Chicago	104
The New York Stock Exchange, and office of the New York Guaranty & Indemnity Company, Broad Street, 1866	108
No. 408 Chestnut Street, Philadelphia. Office of the Girard Trust Company, 1850 to 1872. From original in Historical Society of Pennsylvania.	114
Broadway, New York, 1834, from Cortlandt Street to Wall Street. The site occupied later by the Union Trust Company, at No. 73 Broadway, was directly below Trinity Church	124
Bond issued in 1876 by the Real Estate Loan & Trust Company of Washington, D. C. .	164
Growth of the Guaranty Trust Company of New York, June 30, 1892-June 30, 1916, inclusive	199

PAGE

The old Sugar House and Middle Dutch Reformed Church (occupied as Post Office 1845-1877), Nassau and Liberty Streets, New York, 1830. Site of the Mutual Life Building and home of the United States Mortgage & Trust Company	204
Wall Street, about 1834, looking east from a point opposite the site of present Bankers Trust Company Building. Merchants' Exchange (with dome) at the right . . .	224
State Street, Boston, 1849. From original print in the main office of the State Street Trust Company	260
A Modern Building. Home of America's largest trust institution, the Guaranty Trust Company of New York. Southeast corner of Broadway and Liberty Street	298

The Story of The Trust Companies

CHAPTER I

THE BEGINNINGS. 1822. FARMERS FIRE INSURANCE & LOAN COMPANY

CORPORATE banking in the United States dates back to the days of the Continental Congress. In 1781 that body granted a charter to the Bank of North America. This institution, now with the powers of a National Banking Association, is still in business in Philadelphia, having reached the one hundred and thirty-fifth anniversary of its incorporation on May 26, 1916.

We are accustomed to consider that the earliest establishment of trust companies occurred many years after the founding of the

2 Story of Trust Companies

first banks. This is so, but in point of corporate age several State banks which have been re-organized as trust companies in comparatively recent years are nearly as old as America's earliest bank. The best illustration of this is the Union Bank & Trust Company of New London, Connecticut, claiming existence in both financial fields since 1792; while eight years thereafter, in 1800, the present Washington Trust Company of Westerly, Rhode Island, was organized, also as a State bank, and in 1810 the Farmers Bank of Lancaster, Pennsylvania, started a business which eventually, almost a century later, came to bear the name Farmers Trust Company of Lancaster. Two years afterwards, on March 10, 1812, a decade before the vital statistics of the trust companies might be said to have begun, Governor Simon Snyder approved the charter of The Pennsylvania Company for Insurances on Lives and Granting Annuities. Trust powers were not at once conferred upon this Philadelphia institution, but it was the first of several prominent concerns destined later to broaden into the business of full-fledged trust companies.

Early Nineteenth Century Events 3

Before chronicling the circumstances of this, and of subsequent incorporations in the same field of financial activity, a glimpse should be had of current conditions and events. By 1812, twenty-three years had elapsed since Washington was inaugurated as the first President of the United States. He had then been dead twelve years, but John Adams, Thomas Jefferson, and eight other signers of the Declaration of Independence were still living, while James Madison was serving his first term as Chief Magistrate of the Nation. In those remote days there were living thirteen succeeding Presidents, down to and including Lincoln and Johnson. The same was true of certain other Civil War figures, like Jefferson Davis and Robert E. Lee, but Generals Grant, Sherman, Sheridan, and McClellan, as well as most of the other heroes of that war, had not yet been born. Only four States, Kentucky, Vermont, Tennessee, and Ohio, had been joined to the original thirteen. The population of these seventeen was approximately seven millions of people.

Such were some of the political conditions

4 Story of Trust Companies

of the Republic in 1812, when this forerunner of a Philadelphia trust company was formed for purposes of "insurances on lives and granting annuities." In the same city, in 1793, the United States Mint had been established, less than twenty years before; in 1800, Congress had met there for the last time before removing to Washington; in 1811, the charter of the first Bank of the United States had just expired; and during May, 1812, Stephen Girard opened his celebrated "Banking House."

Five years previous to this time, New Yorkers had seen the *Clermont* embark on her maiden trip up the Hudson, while in the year 1812 was witnessed the completion of their new City Hall. At this period New York's banks numbered less than ten, including the City Bank, chartered in the year mentioned. Louisiana had been purchased in 1803, nine years before; only in 1809 had St. Louis become an incorporated town; and during 1812 the first rolling mill in Pittsburgh was erected.

But the event which bore most upon the fortunes of the newly founded "Pennsylvania Company" was the breaking out of hostilities

between the United States and Great Britain. Six days before its charter was signed, that is on March 4, 1812, Jonathan Russell, our *chargé d'affaires* at London wrote to Secretary of State Monroe: "I no longer entertain a hope that we can honorably avoid war." In the same month Congress authorized a 6 per cent. loan of \$11,000,000; on June 12th war was declared; by July 1st customs duties were doubled; on August 19th the American frigate *Constitution* met and vanquished the British *Guerrière*.

Stirring days indeed were these in which The Pennsylvania Company for Insurances on Lives and Granting Annuities came into being. Its aims and activities were naturally subjected to immediate handicaps. Not until June 10, 1813, did the newly formed company open its doors for business, and only in the following year was any substantial progress made upon its plans.

In a lengthy circular, issued in 1814, undoubtedly the first piece of literature over the name of any company now engaged in trust business, the management presented

6 Story of Trust Companies

*An Address
From
The President and Trustees
Of
The Pennsylvania Company
For Insurances on Lives and Granting Annuities
To the
Inhabitants of the United States
Upon the Subject of
The Beneficent Objects of that Institution.
Philadelphia.
Printed by J. Maxwell & Company
1814.*

The opening words of the circular are:

“FELLOW CITIZENS:

“Among the various modes of alleviating the misfortunes and calamities of life, which have been adopted by the inhabitants of Europe, none has more deservedly engaged the attention of the enlightened and benevolent, than the establishment of institutions for *Insurances on Lives and Granting Annuities*.”

Farther along, life insurance, annuities, and

reversions are defined and illustrated, and the business of London companies is described as being "so extensive that in thirty-three years, from January, 1768, to January, 1801, they made 83,201 insurances on single lives alone, which is more than an average of 2500 per annum."

After presenting various rules, rates, and arguments the address announces:

"The office of the Company is open daily between the hours of 9 and 3 o'clock, at No. 72 South Second Street, in the City of Philadelphia, where a Committee of the Directors sit three times a week to consider and decide upon the proposals which may be made to them. Letters directed to the President, post paid, will be expeditiously attended to and answer given to any inquiries which may be made respecting the terms and rates upon which the Company will transact business."

The list of directors is also presented, consisting of the following names: President, Samuel Yorke; John Bohlen, Joseph Peace, John Claxton, Jacob Sperry, Cadwallader Evans, Jeremiah Warder, Jr., Joshua Longstreth,

8 Story of Trust Companies

Condé Raguet, Charles N. Bancker, John Welsh, James Hemphill, William Schlatter, and Jacob Shoemaker, the last named bearing the title of Actuary.

Among the treasures of the New York Public Library a copy of this quaint "Address" has reposed for many years. An added interest attaches to it from the fact that it was originally a valued belonging of Thomas Jefferson. Sometime during 1815 the "Sage of Monticello," always interested in mathematical matters and himself the founder of America's decimal system of currency, gathered and had bound together a collection of eleven so-called *Political Pamphlets*. Under this title, in handsome calf binding, the "Address to the Inhabitants of the United States" has lain for a full century. Amongst its companions are to be found titles like, "Cooper on Political Arithmetic," "Ingersoll on the Loan Bill, 1814," and "Thorn-ton on a Constitution for North and South America." The flyleaf of this volume contains an index of the pamphlets made in Jefferson's own handwriting. Under his eye were reviewed the Pennsylvania Company's "Tables," showing

- 1 Cooper's Political Arithmetic.
- 2 on National resources
- 3 M^{re} de Stael's Appeal against the Continent^l system
- 4 Insurances on lives, & granting Annuities.
- 5 Thornton on a Constn for N. & S. America.
- 6 Letters on Internal improvements.
- 7 Ingersoll on the Loan-bill. 1816
- 8 Steel's list of the British navy 1812
- 9 Resoln of Louisiana on the British invasion. 1815.
- 10 Report on the Powers of the govt over the militia. 1815.
- 11 Dallas's Causes & character of the War. 1815.

The above in the hand-writing
of Mr. Jefferson.

Handwritten index of "Political Pamphlets." A collection made by Thomas Jefferson about 1815, containing (No. 4) a reference to the first literature issued by The Pennsylvania Company for Insurances on Lives and Granting Annuities.



the expectation of life at ages one to ninety, as computed on six different experience bases, per calculations both in America and abroad, its "Rates" for \$100 of insurance at different ages and for annuities based upon the lives of adults and children. By him in his library in Monticello was read, doubtless with studious care, the message set forth in the text of the "Address," including a pointed reference by the Company's founders to the problems of the year 1812.

For it would appear that little had been accomplished during that and the following year, the explanation being offered that—

"at that period some untoward circumstances, among which was the expectation of a war, depressed, for the moment, the disposition of capitalists to embark in new enterprises, and the subsequent declaration of hostilities against Great Britain, rendered it advisable to withhold, for a time, any extraordinary exertions."

General Jackson won his great victory at New Orleans in January, 1815, and soon there-

after, on February 11th, the second war with England was concluded by the arrival in New York harbor of the British sloop of war *Favorite*, bearing a treaty of peace.

A period of reconstruction ensued throughout the entire country. On April 10, 1816, the Act of Congress establishing the second Bank of the United States was passed and specie payments were resumed. At once numerous other banks sought charters and commercial business began to flourish. By 1819, however, a depression had set in. In that year the Government's expenditures, largely in reductions of some thirty-six millions of dollars of war loans, proved to be in excess of receipts. Credit now began to contract, employment became insecure, and the country experienced its first panic. In 1820, a measure of recovery from these embarrassments was enjoyed, but in 1821 customs receipts fell to thirteen millions of dollars, a sum ten millions less than the annual average of the previous five years, and business affairs again became greatly unsettled.

These conditions naturally affected New York bankers and individuals, and the depression

was marked in degree as the city had recently outstripped Philadelphia and grown to be the wealthiest and most populous American municipality. Nevertheless a group of business men there was not deterred, in 1822, from establishing the first company in the city, state, and nation ever to be clothed with legal authority to "execute any or all trusts in their corporate capacity."

This was the Farmers Fire Insurance & Loan Company, chartered February 28, 1822, now The Farmers' Loan & Trust Company of New York. The word "Farmers" as a part of the corporate title was availed of primarily for the reason that under the charter a business in rural mortgage loans was contemplated. It was a charter provision that the "corporation shall have authority to make loans on the security of bonds and mortgages, or conveyances of improved farms, houses, manufactories, or other buildings." Moreover, Section 9 of the charter provided for the choosing of twenty-one directors in the City and County of New York, with out-of-town representation on the board by six others, "one of whom, at least,

shall be selected resident in each of the *great districts* of this State." As time elapsed the Company was enabled through these up-state connections to have an important part in certain real estate developments which sought financial assistance from New York City.

Back in the year 1794, Robert Morris, the financier of the American Revolution, just beginning a series of struggles to regain his lost personal fortunes, had disposed of the title to nearly four million acres of land in Western New York, known thereafter as the Holland Purchase. This title ran to the Holland Land Company, which established its noted Land Office where the settlement bearing the good old Dutch name of Batavia was created. As the years went by, early troubles with Indian chiefs like Red Jacket, Corn Planter, and others who had originally owned the land were succeeded by dissatisfaction on the part of the farmers, and other settlers, whose contracts of purchase and mortgages, held by the Holland Land Company, proved to be more burdensome than the makers had anticipated. Finally these contracts and mortgages passed into

other hands and the farmers in the western part of the State found that they would have to deal thereafter with a group of New York investors.

Among the latter, the Farmers Fire Insurance & Loan Company came into possession of a large number of the obligations named, and encountered no little difficulty in securing their enforcement. For many years after the reorganization of the Company under its new title, in 1836, communication was almost constant between the institution and various attorneys in the western counties. Only in comparatively recent times have the problems attending title searches in that part of the State ceased to require extended attention by the officers of the Farmers' Loan & Trust Company, of old an actual and important holder of *farmers' loans*.

The Company's first public announcement appeared in the New York *Evening Post* of August 10th, in the same year, and read:

"The Farmers Fire Insurance & Loan Company. Incorporated with a capital of

\$500,000—Office at No. 34 Wall-street, adjoining the Bank of New York—open from 9 o'clock A.M. to sunset.

"This Company is now ready to receive proposals for insuring property of every description against loss or damage by fire. The terms will be as favorable as those of any other company in this city, allowing liberally for circumstances tending to diminish the risk.

"This Company also has power granted to them, 'to receive, take, possess, and stand seized of any and *all* property that may be conveyed to them in TRUST, and to execute any and all such TRUST or TRUSTS in their corporate capacity and name, in the same manner and to the same extent as any other TRUSTEE or TRUSTEES might or could lawfully do.' The TRUST PROPERTY will be kept, as their charter prescribes, wholly separate from all other concerns of the Company, and cannot, in any event, be made liable for its losses or engagements. Any property so committed to them in TRUST, will be invested in such manner as the GRANTORS may chuse [*sic*] to direct.

"The public will readily perceive, that the advantages of this Company to *protect property* for the benefit of *infants* or *others*, or to

THE FARMERS FIRE INSURANCE AND LOAN COMPANY.

INCORPORATED with a capital of \$500,000—Office at No 34 Wall-street, adjoining the bank of New-York—open from 9 o'clock, A. M. to sunset.

This Company is now ready to receive proposals for insuring property of every description against loss or damage by fire. The terms will be as favorable as those of any other company in this city, allowing liberally for circumstances tending to diminish the risk.

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The public will readily perceive, that the advantages of this Company to protect property for the benefit of *infants* or *others*, or to answer any special purposes, either of a public or private nature, are far greater than those of individual executors or other trustees, who are always liable to casualties, which no foresight can guard against or prevent; as the numerous and frequent applications to the court of chancery for filling up of vacancies occasioned by death, insolvencies, or

other causes, most incontestably show: and the expenses of such proceedings often swallow up a great part of the Trust Estate. By placing such property in the charge of this company, *who have continued succession*, there can be no danger whatever of any such casualties, as all such property will be invested either at discretion in the most beneficial manner, for the sole advantage of the party conveying the same, or invested as the party may direct, within the strict provisions of any such trust.

The Company refer, for further information upon this subject, to their charter, a copy of which may be had by application at the office, where also the terms for any trust estate may be known.

RESIDENT DIRECTORS.

Richard Harrison	James M'Bride
James Magee	A. H. Lawrence
George Griswold	Benjamin Bailey
Benjamin Marshall	Thomas Franklin
C. C. Cambreleng	John Johnston
James D'Wolf, Jun.	Thomas S. Townsend
Henry Wheaton	Francis Saltus
Gabriel L. Lewis	William W. Russel
Henry Mactier	Frederick A. Tracy

NON-RESIDENT DIRECTORS.

Southern District—James Tallmadge, Poughkeepsie; Christfan Schell, Rhinebeck.
Middle District—William James, Albany.
Eastern District—John L. Viele, Waterford.
Western District—George Andrus, Adams, Jefferson county; David White, Palmyra Onondago county.

JOHN T. CHAMPLIN, President.

Archibald McIntyre, Secretary.

ang 6

Earliest announcement of a company with power "to execute trusts" in a corporate capacity. From the New York "Evening Post," August 6, 1822.

answer any *special* purposes, either of a *public* or *private* nature, are far greater than those of individual executors or other trustees, who are always liable to casualties, which no foresight can guard against or prevent; as the numerous and frequent applications to the court of chancery for filling up of vacancies occasioned by death, insolvencies, or other causes, most incontestably show; and the expenses of such proceedings often swallow up a great part of the Trust Estate. By placing such property in the charge of this Company, *who have continued succession*, there can be no danger whatever of any such casualties, as all such property will be invested either at discretion in the most beneficial manner, for the sole advantage of the party conveying the same, or invested as the party may direct, within the strict provisions of any such trust.

“The Company refer, for further information upon this subject, to their charter, a copy of which may be had by application at the office, where also the terms for any trust estate may be known.”

Appended to this advertisement were the names of eighteen Resident Directors, as

follows: "Richard Harison, James Magee, George Griswold, Benjamin Marshall, C. C. Cambreleng, James D'Wolf, Jr., Henry Wheaton, Gabriel L. Lewis, Henry Mactier, James M'Bride, A. H. Lawrence, Benjamin Bailey, Thomas Franklin, John Johnston, Thomas S. Townsend, Francis Saltus, William W. Russel, Frederick A. Tracy."

This list was augmented by the names of six out-of-town directors, and those of the President and the Secretary. These were: "James Tallmadge, Poughkeepsie; Christian Schell, Rhinebeck; William James, Albany; John L. Viele, Waterford; George Andrus, Adams, Jefferson County; David White, Palmyra, Ontario County; John T. Champlin, President; and Archibald McIntyre, Secretary."

This advertisement was continued day by day during the greater part of August, 1822, but before the end of that month a violent epidemic of yellow fever was raging in lower New York. The result was an exodus of business concerns from the region affected. On August 27th the papers contained a notice reading:

“FARMERS FIRE INSURANCE & LOAN COMPANY

“The office of this Company is removed for the present from No. 34 Wall Street to No. 15 Park Place. Applications through the medium of the Post Office, or otherwise, will receive prompt attention.”

Three days later another announcement appeared stating that the Company's quarters had again been removed, still farther uptown, the new address being given as “618 Broadway, two doors above the Branch Bank.”

The continuing fortunes of this pioneer among trust institutions in the United States will be narrated in subsequent chapters, but the reader's attention is next invited to an account of the first company to be formed with the word “trust” included as part of a corporate title.

CHAPTER II

1830. NEW YORK LIFE INSURANCE & TRUST COMPANY

THE years just preceding and following 1822 witnessed numerous developments of importance in the country and many of its political subdivisions. The population had grown by 1820 to upwards of nine millions and a half; its center, however, was no farther west than a point within the State of Virginia. Louisiana was admitted to statehood in 1812, Indiana in 1816, Mississippi, Illinois, Alabama, Maine, and Missouri in the successive years from 1817 to 1821. The State last named brought the total in the Union up to twenty-four. In the spring of 1816, Pittsburgh was incorporated a city; on July 4, 1817, ground was broken for the Erie Canal; and in the same year the first line of packet ships was established between New York and Liverpool, while a steam ferryboat had

first plied the East River between New York and Brooklyn three years earlier. In 1818, the steamboat *Walk-in-the-Water*, sailing from Buffalo, arrived at Detroit; 1819 saw steam navigation undertaken between New Orleans and St. Louis, and in the same year came a slowly reported account of the safe passage across the Atlantic of the steamship *Savannah*. Also, in 1819 Cincinnati became a city, and in 1820 petroleum springs were first discovered in the State of Ohio.

In New York City the first savings institution, the Bank for Savings, was opened on July 3, 1819, and so entered that field three years before the Farmers Fire Insurance & Loan Company was organized for trust business. New York's only theater, the Park, was destroyed by fire and rebuilt in 1821. Shortly afterward, in 1824, a great celebration took place in New York on the occasion of General Lafayette revisiting America. The year 1825 was notable for the completion and opening of the Erie Canal; also the first railroad, the Mohawk and Hudson, was chartered, and, as illustrations of other developments following close upon the

beginnings of trust company operations in the Metropolitan City, it may be noted that in 1825 the Gothamites, as they had been dubbed by Washington Irving eighteen years before, first made use of illuminating gas, first attended Italian opera, and enjoyed the innovation of a Sunday newspaper. Within the ten years following 1820 such private institutions were organized as Bloomingdale Asylum, the Hebrew Benevolent and Orphan Asylum, the Eye and Ear Infirmary, the New York Bible Society, the American Tract Society, the National Academy of the Arts of Design, the Seamen's Friend Society, and the American Institute.

During 1829 the first railroad locomotive was run and in the following year came another innovation in the form of an institution styling itself a "trust company."

Similarly to all such enterprises begun within the early years, this concern cautiously laid plans with more than one string to its bow and, whereas the "Farmers Fire" had already established itself in the field of both underwritings and trust undertakings, the founders of this

newer concern set out to perform a dual function as well, calling their institution the "New York Life Insurance and Trust Company."

The charter was secured on March 9, 1830, after a considerable amount of heated debate had occurred at Albany involving the pros and cons of so unusual an enterprise. The authorized capital was one million dollars and the trust powers conferred upon the company were very similar to those heretofore shown for the Farmers Fire Insurance & Loan Company. The charter constituted thirty trustees as a board, and an inspection of their names will show how representative a group of New York business men was thus identified with the new Company. The trustees were: William Bard, Stephen Van Rensselaer, Isaac Bronson, James Kent, Gulian C. Verplanck, Abraham Bloodgood, Edward R. Jones, John Jacob Astor, Saul Alley, John Duer, Robert Lenox, Walter Bowne, Nathaniel Prime, Philip Hone, Peter Augustus Jay, John Mason, Peter Lorillard, Thomas W. Ludlow, William B. Lawrence, Jonathan Goodhue, Samuel Thompson, William James, Peter Remsen, Isaiah Townsend, Ben-

jamin Knower, Stephen Whitney, Benjamin F. Butler, Thomas J. Oakley, Edward C. Delavan, and Garrit Storm.

An organization meeting of these trustees was held on April 12, 1830, at the Merchants' Exchange and William Bard was chosen President. Notice was shortly afterward given that a committee would open the books and receive subscriptions for the stock. This latter event occurred on the 7th of May. A resolution was passed providing that the incorporators, those named above with thirty-one others, might subscribe in each case for one hundred shares of the stock of the Company, which consisted of ten thousand shares, each of a par value of one hundred dollars, making a total of one million dollars. It was further stipulated that no person would be allowed to subscribe for more than one hundred shares and that the incorporators' subscriptions should be given first consideration, after which a distribution to outsiders should be made by lot, that is, "by drawing the letters," meaning letters of application. In this respect no thought seems to have been given to the modern

method of stock allotments in the discretion of committees, with the frequently availed of privilege of "rejecting any or all applications."

On April 22d an advertisement appeared informing the public that the Company's business would be conducted in the East Room of the City Bank, opposite the Merchants' Exchange. Calls were made for 10 per cent. of the stock subscriptions and notice was given that, according to the seventh section of the charter,

"the whole of the capital is to be invested in bonds and mortgages on unencumbered real estate within the State of New York, and at least one-half thereof shall be constantly invested on real property within the limits of the City and County of New York."

This advertisement concluded with the words:

"N. B. The Editors of Country papers who may think the above important to their subscribers, may, if they think proper, insert the above in their papers. Letters to the President must be post paid."

On Saturday, May 8th, the New York *Evening Post* gave the Company a lengthy editorial

notice, undoubtedly the first of its kind ever to appear. Among other things set forth in this article was the fact that the sixty-one incorporators had each taken his allotment of stock, making a total at par of \$610,000. The editorial continued:

“Applications were received for about \$12,000,000, against which only \$390,000 could be ‘distributed this morning by lottery,’ and as five per cent. premium was offered for it by the Brokers yesterday, there was great anxiety manifested to ascertain who were the fortunate persons who had drawn prizes. The result was made known about 12 o’clock by posting the names in the different bulletin offices. There were about thirty-one blanks to a prize. The stock was sold this day at the Board of Brokers for six per cent. advance.”

The editor of the *Post* completed his description of these transactions by inquiring:

“Does the eagerness with which this stock has been sought for indicate anything but a disposition for speculation? Or is it an evidence of money being plenty in our market

and of a desire to make investments which will yield a fair interest?"

Two days later, on May 10th, there were local stock-exchange quotations published, covering seven different issues. Save for 150 shares of United States Bank, ranging from $130\frac{1}{8}$ to $130\frac{3}{4}$, no other stock was reported at as high a price as 255 shares of "Life Insurance and Trust Company" at $106\frac{3}{4}$. On June 28th, a lengthy statement was published in the name of the trustees who gave "notice to the public that they are ready to commence the business which by their charter they are authorized to transact." The features of the proposed business were described as follows:

"They will insure lives and purchase and sell annuities. They will receive money in trust, pay interest thereon and accumulate the same. A third branch of business will extend to the acting as trustees under last wills and testaments, as guardians of estates of infants, as receivers of the property and effects of insolvents and dissolved or suspended corporations, as the committee of

26 Story of Trust Companies

the estates of lunatics and as assignees for the benefit of creditors."

Curiously enough the management laid out, from the very beginning, a policy of paying interest on deposits, a practice which in years to come was to involve the banks and trust companies of the entire country in a question of conflicting opinion as to their respective functions. Probably the thought of these early trust company founders was not directed toward competition with the banks, but their notice of the early summer of 1830 distinctly specified that—

"The Company will receive money in trust, and issue certificates therefor, on the following conditions. No deposit shall be received under one hundred dollars, nor shall any sum less than that amount be drawn unless as the balance of an account. All moneys deposited in trust for a shorter time than one year shall be deposited for a certain number of months, not less in any case than two months from the date of the deposit. Interest at the rate of three per cent. per annum will be allowed on moneys not de-

posited for a longer term than four months. Where the term shall exceed four months and be less than a year, four per cent. will be allowed. Where the deposit shall exceed a year, the rate of interest shall be settled by special agreement. In all cases where the moneys in trust shall not be withdrawn at the expiration of the period for which they were deposited in trust, they shall remain with the Company for another period of not less than thirty days, and be allowed the same interest as if originally deposited for the extended period. Where the trust shall exceed a year, interest may be made payable before the principal shall become due, annually, half yearly, or quarterly, as may be agreed on. Where the trust shall be for a shorter period than a year, no interest will be paid until the principal shall become due."

Such were the beginnings of the second American trust company. Its charter contained several unusual requirements. One of these provided that the trustees shall elect their successors, another that the trustees must in all instances be citizens of the State of New York.

In 1830 the City Bank purchased the site

28 Story of Trust Companies

of the old United States Bank at No. 40, now 52, Wall Street, erected in 1791. Here the trust company took up its quarters, and in the trustees' room there is still preserved to-day the cornerstone of the former bank building.

An order was issued by the Chancellor of the State of New York under date of November 19, 1831, requiring the trustees to present a statement from year to year showing their "situation and affairs." The Company's answers from year to year comprise a set of the earliest trust company reports extant. Eight years after the charter was given, on January 1, 1838, several interesting facts regarding the Company's progress were recorded. Their \$1,000,000 of capital was loaned out on bond and mortgage, none of which was in suit or judgment on which prosecution had been ordered. The Company had no other loans on bond and mortgage, aside from loans to moneyed corporations, or to their officers or agents, which amounted to \$4,740,742.55. The total number of loans was 4079, of which thirty-two were being foreclosed, representing principal amounting to \$57,307. The Company

Loans on Stocks of Sister Companies 29

had collateral loans amounting to \$481,268.41, and in a list of collaterals showed, among the rest, some shares of three sister trust companies of which mention is to be made farther along. The lists contained these particulars:

<i>Name of Stock</i>	<i>Amount Loaned</i>	<i>Number of Shares</i>	<i>Nominal Value</i>	<i>Market Value</i>
American Life Insurance & Trust Co.	\$31,679.56	764	\$50	6% discount
Farmers' Loan & Trust Co.	24,423.51	553	50	6% premium
Ohio Life Insurance & Trust Co.	25,250.00	280	100	2% discount

At this time the Bank of New York was quoted at 22 per cent. premium, the Manhattan Company at 25 per cent. premium, and the Chemical Bank at 10 per cent. premium. Many of the fire insurance companies were at a discount, but the stock of the Utica Railroad Company was listed at 19 per cent. premium.

It was stated that, "*In the Company* are the owners of the following stocks." Here followed a list of ten New York City banks showing that

the holdings of these investors were \$111,442.96. The Company was said to own three farms taken under foreclosure, two in Oswego, and one in Erie County.

The "deposits" held in trust were \$3,194,466.77. Although this was long before the days of reserve requirements, it seems a little strange to read that "the whole amount of money on hand the first day of January, 1838, was \$35.56, being the balance laying in the Manhattan Bank, in which all the deposits of the Company are made." On this same date there was cash due from country banks, etc., amounting to \$80,092.97. The books and office furniture were valued at two hundred dollars

It was stated that:

"the Company have received no money in trust to be invested at the risk and for the benefit of the persons for whom such moneys were received; all moneys which have hitherto been received in trust are at the risk of the Company and under their management; 1410 life insurance policies have been issued, of which 706 remain in force; the youngest

Other Developments of the Thirties 31

age is twelve and the oldest seventy-one; the face of the policies represent \$2,385,570; the officers and their salaries are:

WILLIAM BARD, <i>President</i>	\$5000	per annum
EDWARD A. NICOLL, <i>Secretary</i>	4000	" "
CHAS. C. PALMER, <i>Assistant Secretary</i>	2000	" "
PHILIP R. KEARNEY, <i>Clerk</i>	1800	" "
JOSEPH R. KEARNEY, <i>Clerk</i>	250	" "

and the Company have surplus and undivided profits of \$311,714.88."

The later growth of the New York Life Insurance & Trust Company, continuing down to present times, will be hereinafter sketched. Next in our story, however, are to be related some facts respecting other developments of the thirties in the fields of banking, trust company, and related affairs.

CHAPTER III

1836. FARMERS' LOAN & TRUST COMPANY. THE "PENNSYLVANIA COMPANY," AND THE GIRARD

THE decade beginning 1830 was marked by several interesting events. In the spring of 1831 the New York and Harlem Railroad, the country's first street railway system, was incorporated. During the summer the Mohawk and Hudson Railroad was opened as a freight and passenger line; the launching of the famous steamship *Great Western* occurred in 1837; and in the same year a beginning was made in the line of express business.

But as reminders of how early a period it was in which the trust companies were beginning to establish themselves, it should be stated that not until 1832 was Buffalo chartered as a city, and that Chicago only became an incorporated town in 1833. A year later, New York held

its first election of a mayor by the people, and in 1834 and 1836 city governments were established for Brooklyn and Cleveland respectively while in 1838, Morse's invention, the telegraph, was being first exhibited and daguerreotypes were being introduced in the United States.

Despite the progress of these years, however, many grave financial problems were arising, and these came to a culmination in the disastrous failure of the Second Bank of the United States. President Jackson's controversies with Congress, and with the management of the Bank, began in 1829, and continued until the outbreak of the panic of 1837.

The panic itself was preceded by a period of widespread expansion in the banking world. Governor Marcy of New York, in his message transmitted to the Legislature in 1834, reported that during the previous four years nine million dollars had been added to the banking capital of the State; also that 105 new banks had published notices of intention to organize with aggregate capital of fifty-six million dollars.

He remarked:

“Banks are now regarded as necessary establishments; but I cannot believe they are required to the extent now asked for. Banking privileges, not only as they are granted by this State, but as they exist in almost every country, are a monopoly which ought not certainly to be increased beyond the actual exigencies of the public.”

In the same message he advanced a theory which, to our modern view, sounds like an absurdity but which was probably not so utterly impractical in those days of over-extension of banking facilities. He said:

“If any means could be devised to cause the stock to go into the hands of those to whom it is distributed, worth only its par value, I think there would be much less solicitude for the increase of banks. Whatever value is given to the stock above the sum paid for it, in consequence of the franchise or peculiar privileges granted to the corporation, may, upon any principles of justice, be withheld from the subscribers, and rightfully claimed by the State; and it is a cause

of regret that some provision to effect this object had not long since been adopted."

While admitting some objections to this plan—for example, that former applicants would have received advantages now to be denied to others of equal merit, he suggested that an effective mode of curbing the evils would be by withholding from the original owners the premium on bank stock, by making offers of the latter at public sale, and reserving to the State the advance above the par value. Against this the drawback was presented that such an arrangement would facilitate the concentration of stock in the hands of a few wealthy individuals, while the desire of supplying the wants of an exhausted treasury, or of increasing a favorite fund, might possibly operate as an inducement to grant applications which would not be sustained on the ground of public utility; with the added objection that combinations by speculators at the sale might also prevent fair competition and engross the stock. Other suggestions by the Governor were a general reduction of interest on all loans and other

contracts, so as to make banking business less attractive, and the limitation in amount of circulating notes to a sum equal to the capital of each bank.

The newspapers of 1836 were filled with headlines of warning against the inflation then taking place in the creation of new moneyed corporations. Some of these read "Banks! Banks!" and one editorial writer began an article by inquiring: "Are the people of this country really becoming bank mad?" Nevertheless within this era of over-development there were several new departures in the line of trust business, and some of these, although they embarked upon a tempestuous sea, were fated to outlive the perils of the thirties and sail prosperously on during all the years to come.

That the Farmers Fire Insurance & Loan Company was prospering is to be seen from an advertisement published early in 1831, which announced:

"The Board of Directors of this company have this day declared a dividend of three and a half per cent. on the capital stock,

Opinion Against "Farmers Fire" 37

payable at their office on and after the third day of January next. The Transfer Book will be closed from the 24th inst."

Its charter had been granted for a period of fifteen years, dating from 1822. Early in the year 1836, action was taken looking toward securing a renewal with a change of title to include the word "trust." Before this was accomplished a large amount of discussion took place regarding the doubted wisdom of trust company activities in general, and of the Farmers' in particular. The public prints were opened to the debate; scathing denunciations appeared alleging the illegality of corporate appointments as receiver or guardian, when exercised by a "fire insurance company"; political influences were complained of; the unrighteousness of most forms of current trust company enterprise was dwelt upon in a long series of protests and appeals addressed to the reading public.

An article which appeared during this period over the signature "A Stockholder" is here copied from the *New York Times* (not however

the present daily, established some fifteen years later). It read:

“FARMERS FIRE INSURANCE COMPANY

“A writer in the *Journal of Commerce* of Saturday last is guilty of a most impertinent interference in the affairs of this company. He takes, substantially, the ground that because the Farmers Fire Insurance Company have the right to insure against fire, they are bound to continue that business against their own interests. This company has very large trust powers. They may ‘execute any trusts to the same extent and in the same manner as any trustee,’ says the charter expressly. This and other powers in the charter enables the company to receive money in deposit and to issue their bonds or certificates therefor redeemable years hence. This kind of business is much more profitable to the stockholders than the dangerous business of Fire Insurance and the directors of the company are entitled to the thanks of the stockholders for having discontinued that branch of business, and developed the hitherto latent or dormant powers of the company to the great benefit of the publick. The Company has power to

Protest Against Re-incorporating 39

insure lives, though but little, if any, of this business has been transacted, on account of the charter's expiring next winter. The institution is so useful to the publick, and the managers of it so highly respectable and wealthy, and have so much political influence, that there is no doubt the charter will be renewed and made perpetual this winter, and the name of 'Fire Insurance' stricken out. Now, is it not reasonable that a company possessing these powers should not lay them aside, and go on with a Fire Insurance business? It is to be remembered that the Fire Insurance business is wholly incompatible with the business now carried on by the Company.

"Who would deposite money with the Company, who would buy their bonds (and they have a half a million of dollars of bonds now in circulation, and as much more is soon to be out, redeemable in twenty years) if the Company continues the Fire Insurance business?

"Who if the Company is liable to be ruined in a single night by fire risks would take their grant of annuity for a term of years?

"Who would sell the Company an annuity and take their bonds or other evidences of debt in payment?

40 Story of Trust Companies

“Other Companies for Fire risks can be created, and this Company left to pursue the business most profitable to the owners of the stock and quite as useful to the publick.”

This called forth an attack upon the Company, then and now the oldest of its kind in the country, in the form of the following letter to the *Evening Post*:

“From the tenor of this argument (quoting ‘Stockholder’s’ letter) I presume it comes from the pen of some one of the *managers of the institution who are stated to be so highly respectable, and wealthy, and to have so MUCH POLITICAL INFLUENCE that there is no doubt the charter will be renewed and made perpetual this winter and the name of ‘Fire Insurance’ stricken out.* Some of these most respectable, wealthy, and influential *managers* of this institution have been suspected of having something to do with the *management* of the able journal in which the communication of ‘A Stockholder’ appears.

“The New York Life Insurance & Trust Company was chartered in 1830, with a capital of *one million dollars*, and who is there now in this community, except the

persons interested in that institution, that does not regret it. The Farmers Fire Insurance and Loan Company, with a capital of *two millions of dollars*, claims substantially the same powers as the Trust Company, but they only want the legislature to be so kind as to grant them *further privileges*. As I am one of these unfortunate men who are opposed to all monopolies of this description, and happen to know something of this institution, I feel disposed to make some little examination into its actual powers, and its claims to the *favor and kindness* of the representatives of the people.

“The Farmers Fire Insurance & Loan Company was chartered for fifteen years on the 28th of February, 1822. On the 17th of April, 1822, an amendment to the charter was enacted conferring on the Company certain limited trust powers. For thirteen years the Company was content with the ample profits secured by their legitimate business of fire insurance, but after the N. Y. Life and Trust Company sprung into existence, clothed with immortality and perfect freedom of action, the Farmers Fire Insurance and Loan Company began to feel the spirit of avarice and gain stirring within them. Three ineffectual attempts were subsequently

made by the President of the Company to prevail upon the legislature to amend the charter by striking out the name of 'Fire Insurance,' and making it a *close corporation*, the directors having power to perpetuate their own succession and existence in office independent of the stockholders, and according to the example of the New York Life Insurance and Trust Company. Within the last year, and since the death of that gentleman, and with a view to the operations this winter in the legislature, much pains have been taken to select from the *monopoly democrats* throughout this state and city, such persons to share the plunder contemplated to be seized in the name of this corporation, as from their political standing with the democratick party were supposed to be most able to procure the legislation sought for in aid of the charter. Simultaneously with this measure of securing public influence, the capital has been increased to *two million dollars*, their legitimate business of fire insurance has been discontinued by a by-law of the company, and fancying that an amendment of the 17th April, 1822, confers ample authority, all the energies of the company are now devoted to that description of business indicated by the published bye-

laws and advertisements of the Company; their main business being however the receiving of money on deposit at a low rate of interest, issuing therefor '*certificates*' of deposit, another name for post notes and bonds transferable and bearing interest, the whole operation being nothing else, substantially, than a revival, under the sanction of imposing names, of the reprobated business of the Bond Companies of the memory of 1826. Application is now made, or soon will be, to the legislature to get rid of the name which the legislature gave the Company as a fire office, and for other material amendments in aid of the financial operations and brokerage now carried on by them.

"Since the late calamitous fire, the merchants and other citizens of New York are destitute of insurance offices, except two or three companies with small capitals, and calculated only for the up-town business where they are located. The consequence is, that premiums of insurance to a large amount are now sent abroad, seeking policies in other cities, in the villages in all parts of the United States, and with the agents of a British Fire Company at Norfolk. Three times the amount of the former rates of insurance are now required to be paid by our

citizens, and to strange companies, of whose solvency they can know but little. Under these circumstances, the citizens naturally looked to the Farmers Fire Insurance Company for relief, and it was for many days believed that in this dilemma that the Company would not refuse to answer the end for which it was created, but keeping in view the object of their existence, would resume the business of fire insurance on fair and usual terms, to the manifest accommodation and benefit of the city. With a capital of two millions of dollars this company might supply, to a great extent, the wants of the city in respect to fire insurance. But dealing in money, stocks, and other securities, and issuing '*certificates*' for the payment of money, proves so profitable that this corporation is charmed away from its public duty, and they shut the door in the face of citizens who ask for fire policies, and tell them 'the Company has declined that business.' This conduct on the part of the Farmers Fire Insurance and Loan Company has induced an examination of their charter, and an inquiry has been instituted as to the power of the company to carry on the business they propose to do in their advertisements, and which it appears by their bye-laws they are

now transacting. But as this communication might be inconveniently long, if you should think proper to publish it, I will defer the comments upon the charter and present them in another communication. Those comments will be founded upon the reasoning of opinions of two of the most able counsellors in this city. These opinions I have had an opportunity to examine with care. If they were under my control I would present them entire; and I shall not fail to give them as nearly and literally as I can recollect their terms. These opinions, I have been informed, have been examined and sanctioned by one of the ablest lawyers in the United States, and formerly of this State. With these aids I pledge myself to show, that not one of the powers specifically claimed by 'A stockholder' for the company is found in their charter,—that if such latent and dormant powers be exercised, it is in violation of the charter and of the laws of this State; and that the advertisement of the company bears on its face statements calculated to mislead the publick.

“ (Signed) AMOS.”

Notwithstanding this and like disputes, and denials of the consistency with which the

46 Story of Trust Companies

Farmers' managers had adhered to original charter provisions, the appeals to the "publick" and the attacks upon the monopolists of the "democratick" party came shortly to an end, and in 1836, on April 30th, the Company obtained its new charter and by virtue thereof assumed as its new title "The Farmers' Loan & Trust Company."

The business was continued in Wall Street the capital was increased to two million dollars and was constantly advertised during the summer and fall of the year named as being "the largest of any similar institution in this State" and as "principally invested in bond and mortgage of real estate." The President of the reorganized institution was Henry Seymour; and its function of insuring fire risks now disappeared; an Actuary and a Physician were named upon the official list, and some life insurance business was transacted.

As a matter of fact the only curtailment of powers under the new charter was a provision whereby the Company was no longer permitted to engage in the business of fire risks. But life policies were written in the early years

LIFE INSURANCE.

TO THOSE WHO, IN THE EVENT OF THEIR DEATH, WOULD MAKE
PROVISION FOR THE SUPPORT OF THEIR FAMILIES.

THE
FARMERS' LOAN AND TRUST COMPANY,
Of the City of New-York,
WITH A CAPITAL OF 2,000,000 DOLLARS,
IS ENGAGED, INDEPENDENT OF ITS OTHER BUSINESS,
IN THAT OF
LIFE INSURANCE;

The objects and benefits of which are, to afford mutual relief and maintenance to the widows, children, or friends of deceased individuals, and to all who are, or may be, dependant upon the lives of others for a support.

This Company will insure in sums not less than \$100, nor exceeding \$5,000, and for any term, whether it be for one or more years, or for the duration of life; the premium to be paid to the Company, depending upon the term and the age of the party insured. For example;—

A person aged thirty years, wishing to secure to his wife or family, or friend, or any other person, a certain sum of money, to be paid them after his death, say a sum of \$100, may do so by paying to the Company a premium of $\$2\frac{35}{100}$ every year during his life. Should he die immediately after effecting the insurance, the Company would pay the amount insured.

Should the party wish the insurance to continue for a term of years only, say for SEVEN YEARS, the annual premium would only be $\$1\frac{35}{100}$.

Should the term be for ONE YEAR, the premium would be $\$1\frac{35}{100}$.

Should the age be less than thirty years, the premium would be less; if over thirty years, the premium would be greater.

An individual may also insure the life of another person, provided he has an interest in that life to the amount insured: by which means a debt or any sum of money dependant upon the life of the insured may be secured.

Life insurance, in addition to the benefits derived from those excellent institutions, Savings Banks, is another and more effectual method of providing for the future welfare of relatives and friends: the advantages to be derived from it are attained with ease and certainty, and at a trifling cost.

Money is also received by this Company in deposite, in trust, for any period over thirty days, and interest allowed on the same.

Office of the Company,
No. 34 WALL STREET,
New York.

R. K. DELAFIELD,
Actuary and Secretary.

Circular issued about 1836, describing Benefits of
Life Insurance.

following 1836, and one of the oldest of these, which was also the last to be surrendered and its amount paid to beneficiaries, hangs to-day in a frame on the wall of the Directors' Room. It bears date, "Thursday the 15th day of February, 1838." In the application which forms a part of the policy it was stated that the "sum to be assured is \$2000." Among questions and answers incident to the work of the medical examiner was set forth the printed query: "Has the party had the gout?" with the response written in: "He has not"; again, "Has the party had the smallpox?" the answer being: "He has not"; but to the query, "Has the party had the cowpox?" the reply was, "He has."

The assured lived to be over ninety years of age, and paid his semi-annual premiums until a few years ago when, upon proofs of his death furnished the Company, a remittance was made to his heirs of two thousand dollars in full settlement of the above described contract.

During the same spring of 1836 two notable events occurred in Philadelphia trust company history. On February 25th the charter of

The Pennsylvania Company for Insurances on Lives and Granting Annuities was supplemented by a grant of authority to enter into the business of executing trusts. Plans for this enlargement had been in contemplation as far back as 1831, and Harrison S. Morris in his admirable *Sketch of the Pennsylvania Company* relates that the directors had regard to "the great success of what in India at this time were called agency houses,—concerns organized to transact business for trustees or individuals, to receive moneys on deposit, and to administer estates." His narrative shows that a committee early in 1831 reported favorably upon the plan of engaging in the new form of business, and that the Board of Directors had on January 11th resolved "to enter into the business of trusts," directing "that the President, in conjunction with Horace Binney, John Sergeant, and C. S. Miller, be requested to prepare the forms of documents that may be required for conducting the business."

But, as explained by Mr. Morris—

"it was not the fashion of our grandfathers

Re-incorporation of "Pennsylvania" 49

to enter upon an untrodden field even after so much deliberation as this. There seems to have been cause for hesitation and delay. Perhaps, as has been suggested, there were rumors of financial trouble among the parent concerns in India; or, more likely still, as is indicated by the subsequent action of the Board, the right of the Company to embark in the new order of business without enlarged powers from the Legislature was, in spite of exalted legal advice, held in doubt; for, at an adjourned meeting of the Board, held on November 3, 1832, the promising venture was, for the time, put off by a resolution to the effect 'that it is inexpedient for the Company to go into the trust business, and that the subject be indefinitely postponed.'"

However, the needful plans were consummated by the later date already mentioned, and the new undertaking proceeded under the Presidency of Thomas Astley. At this time the Company was lodged in a dwelling house at No. 72, now 138, South Third Street. From 1837 to 1857, Hyman Gratz served as President, the Company removing in May, 1840, to Walnut Street above Third—then No. 66, now 304.

These premises had been occupied by the Philadelphia Saving Fund Society and the Pennsylvania Company's lease was originally for ten years at an annual rental of twelve hundred dollars.

The second Philadelphia company to engage in trust business was also granted its charter by the Pennsylvania Legislature of 1836. It, like the two institutions in New York, and its contemporary in Philadelphia, began operations in the insurance field, and like them subordinated, at least in the form of its corporate title, the new and undeveloped idea of trust business. This institution was incorporated under an act approved March 17, 1836, as The Girard Life Insurance, Annuity and Trust Company of Philadelphia. On May 19th of the previous year some Philadelphia citizens who had been members of the Girard Savings Association, held a meeting at which it was voted to amend the corporate title to the Girard Beneficial Association. Toward the end of the year the managers, seemingly with an eye upon experiments being tried in other directions, decided to enlarge the scope of this

association's business by the addition of a department to be devoted to life insurance operations. The Legislature was memorialized with the result above described. On March 26th an organization meeting of the managers was held at which Benjamin W. Richards was chosen President. The Company's first office was in rented quarters on the first floor of No. 159 Chestnut Street (old number), the upper portion of the building being occupied as a dwelling. The amount of capital subscribed was \$300,000, payable in instalments spread over a two-year period and the charter conveyed a privilege within two years of the incorporation to increase the stock to \$500,000. This increase was effected in 1838, but the additional funds were apparently not needed and the stock was repurchased later, although the Company's books continued to show nominal capital of \$500,000, with \$300,000 paid in, until 1856, when authority was given for canceling the \$200,000 of excess capital, as recorded on the general ledger. The Company's corporate powers were those of the other early trust companies and it appears to have been

the first concern to do a business of receiving money on deposit "subject to cheque or on time." The official and clerical force of the Company at the time of its inception was made up of four members, these being a president, treasurer, actuary, and runner. The President, Mr. Richards, remained as the Company's head until his death in July, 1851, and with his associates witnessed many stirring events both before and during the panic days of 1837. Something of the current scope of banking affairs and some of the ill effects of over-development on the part of trust company promoters will next be described.

CHAPTER IV

BANKING DEVELOPMENTS. OHIO LIFE INSURANCE & TRUST COMPANY. PANIC OF 1837

IN 1837, just before the outbreak of the great panic of that year, Levi Woodbury, Secretary of the Treasury, made a special report to the House of Representatives at Washington on the subject of the number, capital, and "deposits" of banks throughout the country. Some of his figures were admittedly based upon incomplete returns from certain States, and there would seem to be some inaccuracies, particularly in the light of statistics prepared forty years later and published in the annual report of Comptroller of the Currency, John J. Knox, in 1876. But by combining both sets of figures, and including as deposits the amounts due to banks, the aggregates for 1835 are found to have been:

54 Story of Trust Companies

STATE (in order of size)	Number of banks (including branches, mostly in the Southern States)	Capital	Deposits (including due to banks)
New York	86	\$31,581,460	\$36,640,526
Massachusetts	105	30,410,000	16,411,799
Louisiana	41	26,422,145	11,104,295
Pennsylvania	43	17,958,444	12,767,453
Maryland	14	7,542,639	5,268,746
Rhode Island	61	8,750,581	1,888,575
Ohio	29	6,390,741	2,758,007
Virginia	5	5,840,000	3,265,964
Connecticut	31	7,350,766	1,282,703
Mississippi	10	5,890,162	2,569,749
Georgia	23	6,783,308	1,514,501
Alabama	5	5,607,623	2,256,504
Kentucky	9	4,898,685	2,265,387
Maine	36	3,785,000	1,651,224
New Jersey	24	3,970,090	1,139,827
District of Columbia	7	2,613,985	1,463,299
South Carolina	4	2,288,030	1,600,956
Tennessee	7	2,890,381	783,797
North Carolina	4	2,464,925	867,015
New Hampshire	26	2,655,008	441,189
Michigan	7	658,980	702,179
Delaware	3	730,000	500,848
Vermont	17	921,815	182,874
Indiana	1	800,000	131,221
Missouri	1	Branch	582,125
Illinois	2	278,739	129,434
Florida	2	114,320	73,656
	603	189,597,827	110,243,853
Add Bank of United States	1	35,000,000	16,322,129
Total for Country	604	\$224,597,827	\$126,565,982

These two money totals are exclusive of some 123 odd millions of dollars of outstanding circulating notes and miscellaneous liabilities. The aggregate liabilities of the country's banks appear, therefore, to have been a matter of something less than 475 millions of dollars, on or about January 1, 1835.

The significance, or rather insignificance, of these early aggregates of capital, deposits and circulation as contrasted with those of to-day will be made apparent in later chapters, but, in passing, the reader should have in mind one marked aspect of the foregoing totals. Our ancestors of eighty odd years ago conducted their banks with contributions to capital equal to nearly double the volume of deposits; while to-day twenty-seven thousand odd banks, private bankers, and trust companies, combined, throughout the country, with about twenty-six billions of dollars of total resources and liabilities, have approximately seventeen per cent. of capital and undivided profits against eighty-three per cent. of other liabilities. Also, we may take just a moment to grasp an amazing fact, before which even modern minds, accus-

56 Story of Trust Companies

tomed to big things, must marvel. The undreamed of result accomplished since the days of 1835, when America's banking wealth aggregated less than five hundred millions of dollars, is that the total has gone through a doubling and redoubling process nearly six times over; that the ratio of 1916 to 1835 is as 50 to 1; that to-day a single New York bank, the National City, shows 615 millions of dollars of total resources, and a single New York trust company, the Guaranty, is not far behind with 520 millions.

Next and before returning to the subject of trust company developments, a little picture is to be drawn of the New York State banks of the period. The eighty-six banks mentioned in the preceding tabulation had numbered four years earlier, in 1831, only forty-nine. Of these, thirty-four were up-state institutions and fifteen were in what is now New York City, including the Bank of Long Island. The State Banking Commissioners in their first report, as of January 1, 1831, showed the capital of these fifteen metropolitan banks to be \$14,301,200. This sum did not include, how-

Condition of New York City Banks 57

ever, any part of the capital of the Bank of the United States, with its three branches in New York City. The commissioners showed in this report the amount of each bank's stock owned by non-residents of the State, the quantity of bank notes in circulation, of specie on hand, of directors' liability, and of stock owned by the directors. But the report was silent on the question of other assets and liabilities; in fact, the explanation was made that "a statement of assets and deposits is not shown because publicity might be the cause of affecting the comparative reputation of some injuriously." Practically all of the banks were paying dividends at this time ranging from 2 to 8 per cent. per annum, and the Mechanics Bank, after twenty years of operations, was disbursing as much as \$140,000 a year, being 7 per cent. on its \$2,000,000 of capital. Five years later, in 1836, this institution's balance sheet was the largest in New York, showing footings of \$9,035,500. On the other hand, the City Bank showed total resources of only \$2,571,844. Its capital was \$720,000; its undivided profits \$160,805; its circulation \$345,659; its "depo-

sites" \$498,799; during 1835, it had paid \$50,400 in dividends, 7 per cent. on its capital.

New York's two trust companies, the old Farmers Fire and the N. Y. Life Insurance & Trust, had a western rival fully two years before the two Philadelphia companies, as already described, acquired trust powers. This was a Cincinnati concern, of ample proportions but destined less than a quarter of a century afterward to come to an unfortunate ending. Its title was The Ohio Life Insurance & Trust Company, and it was granted a perpetual charter on February 12, 1834, with authority to issue \$2,000,000 of capital. It had permission to issue notes, until 1843, "for not more than twice the amounts of deposits allowed to remain for not less than a year, and for not more than half the paid-up capital invested in loans on real estate"; the charter was to be forfeited if it should suspend for more than thirty days. Its first President was Micajah T. Williams.

Four years after the Company was organized, a voluminous report was issued showing that there were nine trustees in Cincinnati, two in

Columbus, one in Dayton, two in New York, one in Boston, one in Philadelphia, and one in New Orleans. The Company's banking department loans amounted to \$1,123,780.21. It had notes in circulation in the sum of \$433,765, and owned \$5,000,000 of stock of the State of Ohio, redeemable in 1856 and 1860 and bearing 6 per cent. interest.

That the Company inclined more to banking than insurance business was revealed by the statement that the Company had received nothing upon the sale of annuities. Its life insurance premiums, covering only twenty lives, had amounted during the four years to only \$4921.75. But that trust company functions were either not yet understood or else not particularly exploited, would seem to be indicated by a brief admission contained in the report that "nothing had been received in trust to be invested at the risk of the depositor," and that "the Company is not liable for any amount as receiver."

The Company had a branch office in New York by 1839. This was opened at No. 62 Wall Street and the location changed frequently

during the next eighteen years which preceded the Company's suspension.

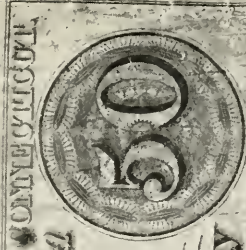
In 1835, the Southern Life Insurance & Trust Company was chartered. It claimed privileges of the most extensive and diversified character. Shortly afterward it was described in Sumner's *History of Banking*, as follows:

“Its capital is \$2,000,000.00, with the privilege of increasing it to \$4,000,000.00. It is directed to report to the Court of Appeals annually, which report is made to Council. No such report has ever been made, or any other. The capital stock of said bank is to be taxed at the same rate as all other personal property of the Territory, but the tax is not to exceed \$5,000.00. The Territorial guaranty is to be given on the bonds of the corporation under certain conditions. This bank claims to be located at St. Augustine, but, it is said, is chiefly conducted in New York, and has an agency at Appalachicola.”

In spite of the mysteries surrounding this institution it seems to have continued in business until at least 1839, and in fact did have

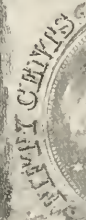


Capital Secured by Mortgage.



The Fairfield Loan & Trust Company

Will pay FIFTY CENTS in Gold



on demand, bearing interest at the rate of THREE per cent. per annum
payable on the first day of Dec 1837 at the office of the
Co. in Fairfield or the City of New York. FAIRFIELD, Dec 4 1837

Witnessed

Witness
Fairfield, Nov 11 1837

Edw. J. [Signature]

Pres.

Interest bearing note for 50 cents. Issued in Connecticut, 1837.

an agency in New York, at No. 12 Wall Street. Shortly afterward it disappeared from the city directory and is to be remembered no further in our story.

Connecticut had its own little trust institution as early as 1837. It was known as the Fairfield Loan & Trust Company, and although its operations were of short duration, the reader may be interested to see a copy of one of the Company's fifty-cent currency notes, as reproduced herewith. This interest-bearing obligation was a forerunner of the "shinplasters" soon to make their appearance and serve for a single generation in substitution for minor coin as a part of our circulating media.

For several years preceding 1837 financial affairs throughout the nation had been greatly disarranged. In 1832 President Jackson vetoed the rechartering of the Second United States Bank. In 1836 the Legislature of Pennsylvania granted a charter to the United States Bank of Pennsylvania for thirty years. Nicholas Biddle, the President, viewed the new charter as more favorable than the one ori-

ginally obtained from Congress, but Horace White relates in his book, *Money and Banking*:

“An enormous bonus was paid, or promised, to the State, two millions in cash, and one hundred thousand dollars per year for twenty years, besides various subscriptions to the stock of railroads, canals, and turnpikes in the State. Benton said that every circumstance of its enactment betokened bribery of the members who passed it, and an attempt to bribe the people by distributing the bonus among them. There is too much reason to agree with him. The Government was still a shareholder in the Bank to the par value of \$7,000,000 and there was some trouble in getting this money out, but it was paid in four annual installments.

“When the Bank found itself, with its enormous capital, restricted to Philadelphia and the neighboring country, it gradually turned itself into a financial company. Hitherto it had confined itself to the banking business as strictly as banks usually do, discounting commercial paper, buying bills of exchange, and dealing in coin and bullion. Now it advanced money largely on stocks.

Before March, 1836, it had twenty millions thus invested. The country was now in the fever of speculation which culminated in the panic of 1837."

In May of that year suspensions occurred everywhere. In New York there were riots, and placards appeared reading:

NO RAG MONEY
GIVE GOLD AND SILVER
DOWN WITH THE
CHARTERED MONOPOLIES

During the year eight banks failed in Massachusetts, nearly all in Boston, or the immediate neighborhood. They represented capital of about four million dollars. The panic continued with great severity until the resumption of specie payments, which occurred in New York during May, 1838. The banks in Pennsylvania and the Southern States resumed in August, but again suspended a month later, and this condition prevailed during many months thereafter, only the New York banks continuing to deal on a basis of specie payments during the year 1840. Finally in 1841, following suspensions

by the Bank of the United States in 1837 and 1838, there was a third and complete collapse of that institution, but shortly afterwards financial conditions again righted themselves and by degrees general business proceeded on more normal lines.

The panic of 1837 has usually been regarded as the most severe depression ever experienced by the country, unless perhaps the greater scope of the railroad failures of 1893 and the banking troubles of 1907 may be said to have covered wider areas of commercial and financial distress. Nevertheless, it appears that such few trust companies as were then doing business in New York, Philadelphia, Cincinnati, and the South, were not in a single instance driven out of business during the acuteness of the troubles of that period.

Toward the close of the year 1837, and after some little recovery had been made from the depression of the summer of that year, an interesting event occurred in New York City. On November 27th there was convened, in the City Hall, the first banking convention of importance to be held in the country. This

An Early Bankers' Convention 65

was composed of 142 delegates representing nineteen different States. One of these came from as far south as Georgia, three were from Kentucky, and what was then the extreme west was represented by one delegate from Indiana. The purpose of this gathering was to take measures looking toward an early resumption of specie payments. William Meredith, President of the Schuylkill Bank of Philadelphia, acted as chairman. Albert Gallatin, George Newbold, and Cornelius Heyer were appointed a committee to publish the views of the convention. The last named was President of the Bank of New York, and one of the other ancients in attendance at the time was a well-known banker of the period, President of the Tradesmen's Bank and one of the incorporators of the New York Life Insurance & Trust Company, by name Preserved Fish!

CHAPTER V

1838. FREE BANKING ACT. IRRESPONSIBLE COMPANIES IN NEW YORK AND THE INTERIOR

FINANCIAL corporations in New York State, prior to 1838, consisted of branches of the Bank of the United States, the older commercial and savings institutions enjoying special charters, and safety fund banks, created under the laws of that year, together with the trust companies, as heretofore described. The plan of the safety fund banks was a required deposit with the State equal to one-half of one per cent. of their capital stock during each of six years. This 3 per cent. of the capital of the banks constituted a fund for the redemption of circulating notes and other indebtedness of any of the banks becoming insolvent. In April, 1838, the so-called free banking system was established. Its methods and results were de-

Operations of Free Banking Act 67

scribed eleven years later by Millard Fillmore, then State Comptroller, in the following terms:

“There was nothing in the act that required individual bankers to deposit any particular amount of securities before they commenced banking. The country was then flooded with stocks from almost every State and the consequence was that numerous banks sprang into existence under this law. Repudiation soon followed, many States that did not repudiate failed to meet their obligations, confidence was impaired, credit was shaken, and stocks generally depreciated in the markets, the consequence was that many banks failed and the Legislature partially retrieved its error, in 1840, by excluding all stocks except those issued by this State, and required those to be, or to be made, equal to a five per cent. stock.

“Finding the small banks unsafe, the Legislature in 1844 required individual bankers to deposit securities to the amount of at least \$50,000; and associations to the amount of \$100,000 before they were entitled to any notes for circulation. The stringency of the money market in 1847, admonished the

Legislature that the security of these banks was not sufficient; and in 1848 they required the stocks deposited to be stocks of this State, and equal to six per cent. stock; and the bonds and mortgages to bear an interest of seven per cent. per annum, and that they should not be for an amount exceeding two-fifths of the value of the land covered by the mortgage. This is the *free bank system*, as it now stands, and it takes its name from the fact that all are *freely* permitted to embark in it who comply with the rules prescribed. It is no monopoly—no exclusive right granted by the Legislature to a favored few, but it is open to all who can give the requisite security."

In an earlier State Comptroller's report, transmitted to the Legislature in the first week of January, 1839, a list was presented of fifty-three banks which had filed certificates at Albany during the eight and one-half months following the passage of the Free Banking Act. Among some strange old figures contained in this report were the totals of property values as they existed at the time in New York County and State. These were:



A one dollar bill of a New York trust company. Issued in 1841, under the "Free Banking" Act.

Group of New York Incorporations 69

New York County	personal property	\$ 67,297,241
" " "	real property	196,450,000
" " State	personal property	122,021,033
" " "	real property	498,430,054

These are in contrast with the figures for 1915, which show the four aggregates of valuation at 637 millions of dollars, 4778 millions of dollars, 924 millions of dollars, and 11,146 millions of dollars, respectively.

Included among the banks then reported upon were four institutions which, in line with recent practice, had chosen to include the word "trust" in their title. These were the Erie Canal Trust & Banking Company of Buffalo, with subscribed capital of \$200,000; the Lockport Bank & Trust Company, capital \$500,000; the United States Trust & Banking Company, New York City, capital \$1,000,000; and the North American Trust & Banking Company, also of New York, capital \$2,000,000. The duration of the charters of these concerns ranged from 262 to 500 years, and the report showed, under the head of "To what amount capital may be increased," that while the Lockport institution had ambitions later to expand its

capital to \$2,000,000, and the Buffalo Company contemplated an increase to \$10,000,000, the two metropolitan concerns proposed at some time in the future, near or remote, to issue shares of stock up to \$50,000,000, in each case. These were of the number of what were known as "free money banks." Three of the four concerns above named ceased to do business within a year or so after their incorporation, as did the City Trust & Banking Company of New York, organized in 1839. A concern known as the Howard Trust & Banking Company of Troy continued from 1839 to 1844, and only the little Lockport concern lasted until 1848, when it too disappeared from the circle of free, too free, banking.

During 1839, and several succeeding years, Wall Street experienced a sudden invasion of companies organized in other States, mostly in the South. The title "trust company" was apparently regarded as a fetching bit of enterprise. Among companies having branch offices in Wall Street during 1839 and the very early forties may be mentioned the Charleston (S. C.) Insurance & Trust Company, the Ameri-

can Life Insurance & Trust Company (Baltimore), the Alabama Life Insurance & Trust Company, and the Georgia Insurance & Trust Company. These concerns, with the Southern Life Insurance & Trust, already mentioned, all disappeared by 1843, leaving the New York City field open once more to the Farmers' and the New York Life Insurance & Trust.

The Alabama Company did, however, occupy a place in Mobile's financial affairs during twenty odd years following its grant of trust powers in 1836, and one of its stock certificates, part of an original million of dollars' worth issued, unofficially transferred many years afterward to the ownership of the author, is reproduced herewith in commemoration of the rise and fall of one sturdy institution the glory of which departed over half a century ago.

Throughout the troubles of 1837, and as they extended into the early forties, the press continued to give out warnings against inflation. Sometimes these took the form of editorial comment, but occasionally the constant outcropping of new banks became the subject of humorous protestations. An amusing illus-

tration is to be found in a poem which appeared in the New York *New Era*, published at the close of 1840. This was entitled "The Wall Street Chorus." Probably its author was addressing his satires not only against the banks but in the direction of some of the irresponsible trust companies then opening up branches in New York; at any rate his verses were clever enough to be here repeated:

THE WALL STREET CHORUS

Give me a Bank—a *paper* Bank,
 The best machine for saving labor,
 For who would toil and sweat himself,
 When there's a chance to *sweat* his neighbor?

Away now, with your power looms,
 Revolving Jacks and spinning Jennies;
 Contrivances for picking wool
 Can't match the Banks for *picking* pennies.

"*Ex nihil nihil fit*," was once
 A maxim much in vogue with some;
 But few indeed can *now* maintain
 That "nothing can from nothing come."

For though the ancients could convert
 Their gold to rags (as we are told),

No. 477.

It is to Certify, That *Virginia S. Russell,* is entitled to *four*

of the ALABAMA LIFE INSURANCE AND TRUST COMPANY, on each of which Shares, the Sum of *One Hundred*

Dollars has been paid in Cash, according to the provisions of the Charter of said Company, as established by a Law of the General Assembly of the State of Alabama, on the *ninth* day of January, 1836, Transferable at the Office of the Company, personally or by Attorney.

Witness the Seal of the Alabama Life Insurance and Trust Company,
MOBILE, *18th March* — 18*48*.

Wm. A. Smith PRESIDENT,
Robert. Snider SECRETARY.

Cooper—Printer.

Stock certificate issued in Mobile under a charter dated early in 1836.

Yet we, in times more civilized,
Can make from rags the best of gold.

All hail, then, glorious alchemy,
That can from nothing something make!
What pity things created thus,
Their primal form are prone to take.

So let us have a Bank, my boys!
A fortune thus we all may win;
Like lilies of the valley live,
Who "toil not, neither do they spin!"

With money then, all debts we'll pay,
And should our credit once get low,
It never comes amiss to say,
"The Government has made it so!"

At Albany the State Comptroller was charged with the duty of supervising the affairs of the institutions formed under the Free Banking Act in respect of holdings of securities deposited against issues of circulating notes, also as custodian of their blank notes. Reporting at the end of 1840 upon transactions down to December 1, 1839, the Comptroller showed a most elaborate table of notes ordered from and delivered by him down to that date. This contained columns with an analysis of so many

74 Story of Trust Companies

1's, 2's, 3's, 5's, 10's, 20's, 50's, 100's, 500's, and 1000's. As to specific trust company affairs, his report showed that the North American Trust & Banking Company of New York had \$371,900 of stocks and mortgages on deposit to secure circulation. He also remarked that the securities of the New York Trust & Banking Company had been sold for sufficient to redeem all of its circulating notes at par.

At this time the Bank of Commerce towered above all the other seventy-five banks in New York in point of capital, which was \$5,000,000, but the North American Trust & Banking Company came second with \$2,000,000 of capital, and there were only five other banking institutions in New York City with as much as \$1,000,000 of capital each.

In 1846 the Ohio Life Insurance & Trust Company was permitted, by an act of the Legislature, to become either an independent bank or a branch of the Bank of the State of Ohio, if it so desired, by setting off banking capital in specie of not less than \$300,000 nor more than \$500,000. It appears, however, not to have availed itself of this privilege, for the

records of later years do not show that it had become one of some thirty-seven branches of The Bank of the State. Moreover, by this time the other commercial banks in Ohio were only seven in number.

During these years, and until 1852, New York State seemed to get down to a more normal and restricted view of activities in the new field of trust business. Within the four years from 1849 to 1852, inclusive, the city directories of New York mentioned no trust company except the Farmers', the New York Life, and the branch of the Ohio Company.

On April 12, 1851, the office of Superintendent of Banks was established by law at Albany, but there was no thought at the time of placing the trust companies under his control; in fact supervision by his department through examinations was not begun until nearly a quarter of a century later.

About this time an up-state institution was granted a special charter. This was the Buffalo Trust Company (in no way connected with the present corporation of that name), incorporated in the spring of 1852. It contin-

ued in business until 1857, and seems to have been a sizable institution, but not firmly enough grounded to withstand the shock of the panic of that year.

At this period, 1852, Philadelphia had listed in the city directory sixteen "banking institutions," two "savings funds societies," and eleven concerns denominated "insurance companies, lives, and annuities." Of these last, three were trust companies, the Pennsylvania, the Girard, and a company known as the National Safety & Trust Company. The one last named had been chartered in 1841. It was a short-lived company.

After the North American Trust & Banking Company of New York failed, the receiver David Leavitt, was confronted with many problems arising out of the vagaries of management indulged in by those who had carried on the Company's brief business.

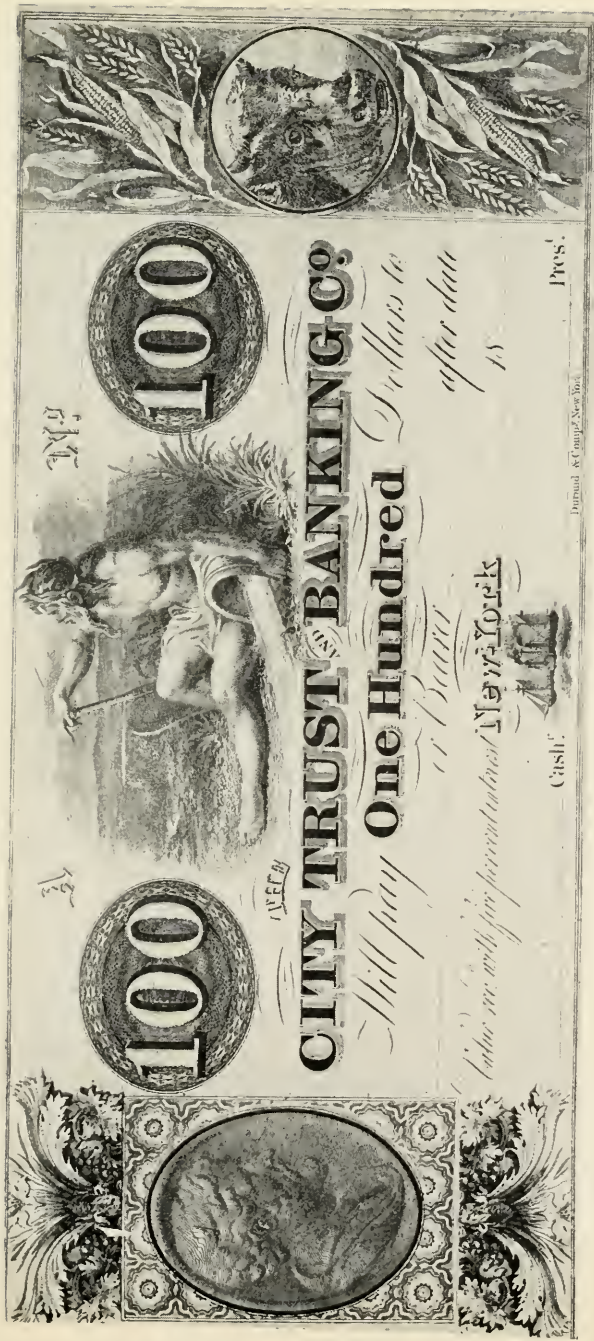
In 1853 litigation was instituted in the New York Supreme Court to the end of testing this defunct concern's liability under certain obligations which the receiver sought to evade. There had been, back in 1840, an issue of so-

called "Million and First Half Million of Trust Mortgages." These had been given for the purpose of providing the Company with needful funds, and the question now arose as to whether they were valid debts or whether they had been issued for the purpose of defrauding the public. Two or more large mortgages had been given by the North American Company and a lot of 1500 bonds issued as well, each of the denomination of £250. The general plan of issuing the bonds was not unlike the already prevailing mode of securing bond issues by deeds of trust, and when the case was argued before the Court the point was made that to have executed 1500 distinct mortgages would have entailed a great deal of work; accordingly the larger instruments had been made to run in favor of trustees who, using their own judgment, might offer investments on a participation basis.

In support of the allegation that the mortgages had been made with the direct intent to defraud, long arguments were presented, challenging the authority of a trust company to issue bills or notes maturing at a future date; the statutes of May, 1840, having "prohibited

every banking association from issuing or circulating any bill or note of said association, unless made payable on demand and without interest." The penalty prescribed for a violation of this law was that any official or member should be subject to fine and imprisonment. A technical claim was set up that the bonds had been merely stamped, and not impressed by wax or wafer, and so were not sealed instruments according to law, but post bills or notes, therefore unlawful, and consequently that the assignments collateral to them were null and void. Part of the controversy hinged upon the question as to whether these bonds, each made to yield the equivalent of £250 payable in seven years in pounds sterling, at a London counting house, with interest coupons attached, were "likely to be imposed upon, or received by, or circulated among, the people of New York as money or currency, and whether the Legislature intended to guard the circulating medium of the British nation from an unsafe infusion of American credits.

It was shown, on the other hand, that in 1838 the Merchants' Exchange Company had raised



Specimen of unissued circulation as originally held in the custody of the Comptroller of New York State.

\$400,000 to complete their building, by the creation of a large number of bonds in the name of one person, to whom a mortgage had in turn been given. The legal battle over these questions was bitter and prolix. Apparently the Court had not before had to deal with problems involving rights under corporate mortgages securing bonds, but the decision finally reached was that no fraud had been intended and that the bonds were valid instruments.

Throughout the country the growth of the state banks during the four years from 1850 to 1854 was remarkable. Twenty years later Federal Comptroller Knox prepared statistics showing that within those five years there had been gains of approximately fifty per cent. both in the number of these institutions and in their capitalization, circulation, and deposits.

The actual figures were:

	1850	1854
Number of State banks	824	1208
Capital stock	\$217,317,211	\$301,376,071
Circulating notes	131,366,526	204,689,207
Deposits, including due to banks	146,304,046	238,510,906

Of the 384 new banks established during this short period New York State contributed 123.

The *Bankers Magazine* of November, 1854, devoted considerable space to the subject of trust company affairs. It showed that on July 31st of that year the New York Life Insurance & Trust Company had a little over \$6,200,000 of total resources and liabilities, including \$1,000,000 of capital and \$422,000 of surplus. The United States Trust Company on the same date, and after one year of operations, showed \$1,000,000 of capital, \$480,000 of deposits, and \$46,000 of surplus.

Not unnaturally the writer of the article seemed to find it wellnigh impossible to separate the two theories of life insurance and trust company business. He declared:

“The Mutual Life is in effect and substantially so a trust company and a very important trust too. It embodies the savings of *at least* 7834 persons, to whom (or for whom) policies have been issued and are now in force, of which 6720 are for life, 946 for the term of seven years, and 168 for shorter periods.”

He remarked also that it had long been a custom for executors, administrators, and trustees to invest trust funds in bank stocks, and that this in the course of time had come to be regarded as an unsound practice, the State of Pennsylvania having in 1853 decreed that such investments were invalid and made at the personal risk of such trustees. He concluded his observations by saying:

"At present in New York State the trustee can only protect himself from risk when he invests the trust funds in real estate or government securities, or invests by order of the Court."

This was a period in which little substantial progress was made in the way of sound trust company development. Their plans and ultimate purposes were not very clearly defined and fell far short of being understood by the public. It would seem that both the panic of 1837 and the subsequent outcropping of irresponsible state banks, some of them calling themselves trust companies, must have discouraged the more conservative class of business people from

launching new enterprises in the trust company field, at least on a scale, or in any instance having a personnel, to be compared with the companies founded down to 1836. From this year onward, during the seventeen years which elapsed until 1853, no American trust company, of those we know to-day, took out a charter.

In 1853, the same year in which the New York Clearing House was formed, a new company appeared in New York City, the first to bear a title without an indication of any insurance functions whatever. This was the United States Trust Company, which began business at No. 40 Wall Street during the early summer of that year. Some of its first efforts and accomplishments will be narrated in the chapter which follows.

CHAPTER VI

1853. UNITED STATES TRUST COMPANY OF NEW YORK

THE United States Trust Company of New York was chartered on April 12, 1853. Among its incorporators were Peter Cooper, John J. Phelps, Erastus Corning, Shepherd Knapp, and Wilson G. Hunt. The charter was the basis of all special charters of a similar character subsequently granted in New York, as well as of the general law for the incorporation of trust companies which, upon its adoption thirty-four years later, terminated the plan of granting special charters to New York trust companies.

The first office was located at No. 40 Wall Street where Joseph Lawrence, the first President, was elected at a meeting of the trustees held June 14, 1853. Mr. Lawrence held office until May, 1865, when on account of failing health he became obliged to surrender his important duties and was succeeded by John

A. Stewart, whose services as President continued for nearly forty years thereafter.

Early in the Company's existence a controversy arose involving the question of whether the corporation, in its capacity as receiver for the Knickerbocker Savings Institution, was not indirectly conducting a banking business. In 1854 the Knickerbocker had made a small loan on some bank stock which was questioned as being a possible violation of its charter or of the 1853 savings bank law. The New York State Court of Appeals decreed that the institution had been within its right, the law being only a prohibition against the loaning of saving institution funds on mere personal securities, but the trust company found itself in the position of being challenged as to its right to conduct a banking business in so far as this might be required in the course of administering the receivership. Finally after due deliberation, the same Court ruled in favor of the trust company by declaring:

“The duties of this Company are prescribed by the second section of its charter which do not include banking powers.”

Adding, as the Court's opinion:

"The charter of the United States Trust Company is not unconstitutional. It is not a corporation created for banking purposes within the meaning of Section 4 of Article 8 of the constitution."

The charter of the Company contained a provision (Section 20) that:

"The Board of Trustees shall exhibit annually to the Supreme Court, on such day as said Court shall appoint, a full statement of their affairs, in such form, and verified in such manner as the Court shall direct. The Court, should it be deemed proper, may refer such statement to a referee, with direction to make a full and thorough investigation into the affairs and management of the Company, and to report his opinion in relation to the ability and integrity with which its affairs are conducted, the prudence and safety of its investments, the security afforded to those by whom its engagements are held, and the advantage derived by the public from its operations. The expenses of every investigation so made shall be defrayed by the Company in such sums as the said Court shall certify to be reasonable and just."

86 Story of Trust Companies

Agreeably to the foregoing, annual reports were made for a number of years by referees of the Supreme Court. Their findings were the result of elaborate examinations and some of the facts and circumstances set forth in the report of 1855 are sufficiently of interest to be here related. It was a document of seventy-three pages and showed among other things that there had been 260 original subscribers to the stock two years earlier, of which number 113 continued to hold their shares, but that 147 had sold their stock and that the Company had never made any loan upon security consisting of its own shares. It was also reported that as many as 1343 shares had been transferred during the year 1854.

The officers of the Company were three in number:

	<i>Salary</i>
JOSEPH LAWRENCE, <i>President</i>	\$5000 per annum
JOHN A. STEWART, <i>Secretary</i>	3000 " "
G. P. HINMAN, <i>Bookkeeper</i>	1200 " "

The Referee described how both the President and the Secretary were each required to keep a record book showing in duplicate the

Precautions in Early Management 87

details of each day's business transactions. He said:

"The precautions taken by the Company bring every transfer of stock under the immediate inspection of its President, and the book which he himself keeps, and in which he enters every certificate that is surrendered, and every one that is issued, is an additional check upon his subordinates, and imposes upon him primarily the responsibility for any error. This practice is a wise one, and the labor being voluntarily assumed by the President, shows how prudently and cautiously his position is filled."

But he offered a criticism of the manner in which the record books were kept, pointing out that as they related to cash on hand at the end of each day they were not quite in agreement. This criticism went on to relate:

"The disagreement is in the detail transactions, wherein money actually passes. Thus, in one case where a party was entitled to draw out a deposit of the sum of \$1600 he actually drew out in cash only \$900 and took a certificate of trust for \$700. The

payments-receivable book showed the whole transactions, while the Secretary's record book showed only the payment of the \$900. Thus Section 4 says, the President shall keep a 'daily record of all monies *received*,' etc., not of monies *paid* also. Yet the very next sentence says, 'his record of *payments* and *receipts* shall be compared daily with the record kept by the Secretary.' Why compare it with the record kept by the Secretary, unless both are to keep a record of payments as well as receipts? And why call it 'his record of payments,' unless he is required to keep something more than a record of receipts?"

However, in a "Conclusion" appended to the report an unqualified bill of good health was offered, in the following words:

"My opinion as to the prudence and safety of the investments of the Company, the security offered to its dealers, and the advantages flowing to the public from its operations is already manifest from the foregoing pages, and I have but to add in conclusion that the prudence, care, ability, and integrity with which its affairs have been conducted are eminently deserving the public confidence."

As late as 1856 it seems to have been the practice to hold public sales of the miscellaneous assets of failed financial institutions. An illustration of this is an old catalogue, issued from the presses of William C. Bryant & Company at No. 41 Nassau Street, announcing the offering of certain property covered by

A List of
Overdrafts, Judgments, Notes
and
Balances Due on Notes
to be sold by
P. R. Wilkins, Auctioneer,
for
The United States Trust Company of New York
Receiver of the Knickerbocker Bank
In the City of New York
On Monday, October 27, 1856,
at Twelve O'clock,
At the Merchants' Exchange, in the City of
New York.

In this pamphlet long schedules of overdrafts, judgments and notes were set up, and as to the property first mentioned, the trust company was particular to specify:

“The amounts of overdrafts are as shown on the ledgers of the bank and are supposed to be correct, but are sold without recourse to the Receiver.”

According to a resolution passed in the State Senate on January 7, 1857, the several trust companies were required to report to certain members of the Legislature “on their present condition and to submit a summary of their transactions during the year 1856.” The report of the committee stated that the special charters granted to these institutions conveyed great powers, and that

“it has always been the policy of the State to keep a watchful eye upon them and guard the community from those evils and losses which could result from improper or unwise use of the power conveyed. The reports herein made show that the confidence of the State of New York has not been misplaced, but that those institutions are prosecuting

a prudent and successful business, beneficial to the community at large, and profitable to the stockholders concerned."

Included among the figures presented was a "summary" of trust company deposits, on January 1, 1857, as subjoined:

United States Trust Company of New York	\$1,614,450.73
New York Life Insurance & Trust Company	3,833,317.61
Buffalo Trust Company	185,738.23
<i>Total</i>	<hr/> \$5,633,506.57

These three companies had 1837 depositors, the average balance of each depositor being \$3066.68.

This Legislative Committee appears to have given considerable attention to the affairs of the three companies shown above, but for some reason entirely overlooked the duty of reporting upon the Farmers' Loan & Trust Company, or upon any of its activities, although it was a fully qualified institution which had been engaged in the same line of business no less than thirty-five years previous to the making of the report.

As illustrating a later and most interesting

appointment of a trust company to act as trustee on behalf of a great benevolent society, something may here be interpolated regarding the American Bible Society and the United States Trust Company. For many years previous to 1910 the Society had managed for itself some millions of dollars' worth of property acquired under the wills of individuals, which provided that the income should be devoted to the purposes of the Society. In that year, by resolution of the Board of Managers of the Society, the securities representing these trusts were turned over to the United States Trust Company, and that Company was also appointed Assistant Treasurer of the Society. When the change was made it was in recognition of the fact that although the Society, by virtue of its charter, was perpetual, the safeguarding and administering of its possessions might well be left to the discretion of a financial body skilled in the intricacies of modern investment. The trust thus established was of rather a different character from those created in the ordinary routine of corporate and individual business transactions. It might be properly said that

it was a trust affecting far more than the material side of human life.

The American Bible Society is in this year, 1916, celebrating the one hundredth anniversary of its founding. A century of good works is behind this organization, which has for its object "the encouragement of a wider circulation of the Holy Scriptures without note or comment." Since those early beginnings the activities of the Society have been felt at the uttermost ends of the earth, as well as at home, and the Scriptures issued since then, either at the Bible House in New York City, or under the Society's supervision in foreign lands, have totaled over one hundred million copies.

Either alone, or in collaboration with others, this organization has translated the Bible, in whole or in part, into not less than one hundred and seventy-five languages. European societies have translated it into some three hundred more, and it has been stated that "versions are now available in which seven out of every ten human beings may read or hear at least the full Gospel narrative in the words of Holy Scripture."

Thus is to be had a glimpse of how, in the evolution of trust company affairs, the business side of one of our largest benevolent undertakings has come to have its part in a sphere where almost every dealing is on the side of commerce, finance, or other interests in which the prevailing test must needs be material gain, not spiritual advancement.

CHAPTER VII

1857. FAILURE OF THE OHIO LIFE. FOUNDING OF MERCHANTS' LOAN & TRUST, CHICAGO

BOTH financial and political historians seem well agreed that the suspension of the Ohio Life Insurance & Trust Company on August 24, 1857, was the first bolt to fall in the storm of disaster that overtook the country during that memorable panic year.

The Company had not been altogether prosperous for some years. In 1854 the Cincinnati *Commercial* had taken the view that the institution was being "taxed out of existence." It described the law of two years earlier which had imposed about \$100,000 burden of taxes on \$3,000,000 of bond and mortgage loans. Speaking of the hardship that it worked upon the Company, this newspaper said:

"We are most decidedly in favor of *free trade in money*, but we have at least that amount of anxiety for the public welfare which would induce us to prefer to spare the lives of a few wicked bankers, rather than to involve the community in pecuniary distress, and press thousands into the Golgotha of bankruptcy."

On August 25, 1857 the New York *Tribune* published a news article in the following words:

"The Stock market was very active to-day, the aggregate sales in and out of the Board exceeding 25,000 shares. Some parties at the First Board had knowledge of the impending suspension of the Ohio Trust Company and sold freely on the anticipated effect. After the suspension was made public the market, as will be seen by the transactions of the Second Board, exhibited a *quasi* panic, most marked in Cleveland and Pittsburgh which sold down to 20, having been 29½ on Saturday. At the close a sale was made at 22. The decline in Pittsburgh was occasioned by the apprehension that the Trust Co. held a large amount of the stock as collateral, which would be thrown upon the market. . . . The announcement between the boards

that the Ohio Life Insurance & Trust Company had been obliged to suspend payment threw the street into great excitement and it became at once the engrossing subject of conversation. The magnitude of the operations of this institution throughout the West renders its suspension one of the most important financial events since the Schuyler fraud, and fears are expressed that it may produce further commercial disasters. The house is by far the most important banking institution in Cincinnati, and the locking up, even temporarily, of its large deposits must prove very embarrassing to its dealers in that city. The amount of its liabilities is not stated, but they are estimated at from five to seven millions. The annexed card has been received from the President:

““OFFICE OF THE OHIO LIFE & TRUST CO.
NEW YORK, August 24, 1857.

““The unpleasant duty has devolved upon me to state that this Company has suspended payment. This event has been mainly brought about in consequence of making loans in this city to parties who were unable to respond at this time. I would add that the capital of this Company, two millions, is sound and reliable, exclusive of such loss

as may arise from the insufficiency of securities pledged for loans above referred to.

“‘C. STETSON, *President.*’

“We learn that about seven hundred thousand dollars of checks were paid out by the agency here on Saturday and to-day were unpaid. The checks which were given to-day were again received by the Company and the drafts for which they were paid out were given up.

“Messrs. Brown Bros. & Co. and others placed an attachment upon the assets of the Company here as a foreign corporation, and the Sheriff and his deputies are in charge of the office and property. The immediate embarrassment of this Company arose, we understand, from its inability to meet loans made by it of some banking houses in the street. The proceeds of these loans had been used in sustaining Western Railroad Companies, one of which is said to have received advances exceeding half a million of dollars. This Company, although in its title a life insurance company, issued no policies on lives.”

On the next day, August 26th, in an editorial in the same newspaper entitled “Attack on Excess of Luxuries,” it was declared that

"when banking concerns like the Ohio Life & Trust give way it is mere idle talk to pretend that the revulsion is fictitious or imaginary, and go on railing at the bears and the croakers, as has been the silly habit of some would-be leaders of opinion throughout the months past in which this storm has been probably brewing."

The same day it was announced that John Thompson, a prominent Wall Street broker had been unable to meet his liabilities and from this time on the panic may be said to have been fully under way.

Conditions at the home office of the Ohio Company have been described in Greve's *History of Cincinnati*, as follows:

"On Wednesday, August 26, 1857, the Ohio Life Insurance & Trust Company failed to open its doors. Third Street became for a time the center of the city life. The morning papers had announced that the bank would not open and this drew an enormous crowd to this point. By nine o'clock it was impossible to pass through the streets. The crowd lingered all day long and the excitement was great. Fortunately there

was no run at the time on other banks of the city. It was felt that the trust company's misfortune was the result of bad management in its New York branch and there was every expectation that it would soon reopen its doors. As the news came in from New York during the day it became apparent that the matter was more serious than was supposed. The liabilities of the company were estimated by the *Tribune* at from five to seven millions, and the assets of the bank to the extent of two millions were attached by foreign creditors. It soon became apparent that the stockholders would lose everything. This seemed all the more remarkable as the stock had sold in New York during the preceding week almost at par and, but a few days before, the directors themselves had bought a number of shares. The local branch of the bank issued a statement of its affairs in Cincinnati, claiming to show assets of over five millions with liabilities of less than three millions, making an excess of assets over liabilities, exclusive of capital, almost two millions and a half. It became apparent very soon that the demoralization in financial circles was not confined to any one institution. The Central Bank of Messrs. Hatch & Langdon finally suspended payment, to be followed

a little later by the Citizens (Smead, Collard & Hughes) and the City Bank. All these institutions claimed to have assets largely in excess of their liabilities. The return of the investigating committee, composed of W. W. Scarborough and Wm. Hooper, who had been sent East to examine into the affairs of the trust company, brought little consolation to Cincinnati financial circles. It was perfectly clear that the company was a wreck. The hope that the difficulties would be tided over very soon disappeared. The trust company checks fell to 25 cents on the dollar and the market generally showed great weakness. In October came the general suspension of the New York Bank, followed quickly by suspension throughout the country. The Ohio banks, however, fared better than most of the banks of the country, and although there was great distress as a result of the scarcity of money and a panic throughout the country, there were no further failures. It became necessary, however, by reason of the hard times to distribute food to the poor citizens, which was done at public expense."

During the closing months of 1857, and along in 1858, disaster overtook the banks in almost

every quarter. The most serious breakdowns were in the West. The Illinois free banks, having no real capital except security bonds in the hands of a State Auditor, were forced to meet a rise in Eastern exchange of no less than 15 per cent. premium. Lists of banks with the rates at which their notes would be received in trade appeared under the title of "Bank Note Reporters." These were displayed in the stores and in railroad and brokers' offices, and were even published in the newspapers. There were lists for merchants, bankers, railways, and the values of circulating notes changed constantly and without notice. By 1860, banking establishments throughout the entire West saw their assets, securing issues of notes, lodged in the hands of public officials, but with constant and serious depreciation in the values of both the securities and the notes. In the South many bank failures occurred and the distress and confusion which ensued affected all lines of business. Specie payments were discontinued in New York from October 14, until December 14, 1857, and a widespread unsettlement of banking affairs existed for

several years thereafter, in fact until the passage of the National Banking Act in 1863.

In spite of conditions like these a group of Chicago financial men saw their way in 1857 to establish there an institution which in our times is recognized as being the oldest American trust company, organized as such, of those doing business west of the Atlantic seaboard.

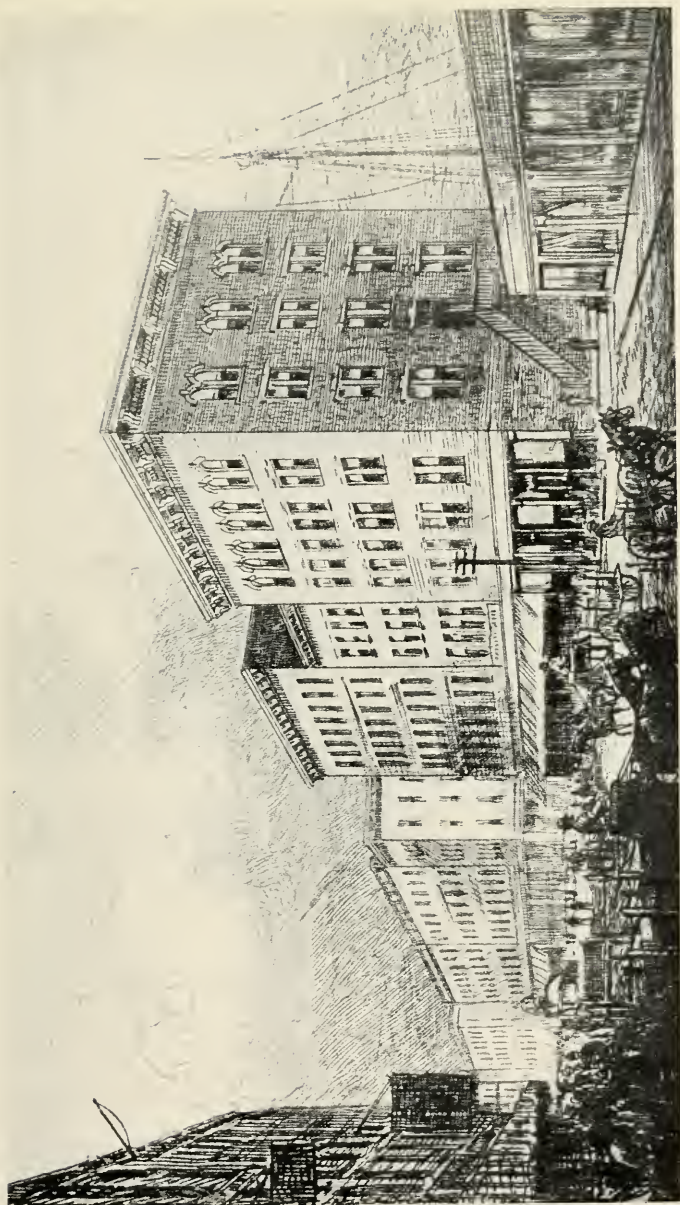
This was The Merchants' Savings, Loan & Trust Company, which featured its plan of a savings department in the original title but abandoned the idea until 1902, having about twenty years previously changed its corporate title to The Merchants' Loan & Trust Company.

Back in 1857 the original capital was fixed at \$500,000, with liberty to increase to \$2,000,000 under a term of life of fifty years. By 1907, the Company's fiftieth anniversary, its capital had become \$3,000,000. Down to the present there never has been a consolidation, nor has the business of any other company been absorbed.

Intimate details of the early history of The Merchants' Loan & Trust Company are mainly a matter of tradition, owing to the disastrous ravages of the great Chicago fire of

October 8, 1871. While all money and valuables were safely withdrawn, most of the books and records of the Company were destroyed in the vaults, and practically no legible details remained of some six hundred accounts involving a sum of about two million dollars. Under extraordinary confusion and public excitement the Company resumed general business on the ninth day after the outbreak of fire, and at once began what seemed the insuperable task of adjusting its affairs. By the end of the year, however, such progress had been made that only some doubtful claims remained to be settled, but even these, although apparently indicating a loss to the Company of about \$58,500, were in a short time paid in full. Back in the early days there was occasion for the Company to issue some circulating notes. These were put out as a defensive measure, and the issue of the notes must be considered unique among trust company policies of the last sixty years.

The first offices of the Company were located in the building at the northwest corner of South Water and La Salle Streets, until 1860,



First home of The Merchant's Loan & Trust Company. Corner of La Salle and South Water Streets, Chicago.

when a change was made to the Dickey Building, at the southwest corner of Lake and Dearborn Streets. While still here, in 1871, the great fire occurred and business was temporarily transacted at the residence of Solomon A. Smith, then President of the Company, until the spring of 1872 when quarters were taken in the Manierre Building. In 1881 the Company moved to the Portland Block, from which in 1900 it changed to its present location, The Merchants' Loan & Trust Building at Adams and Clark Streets.

The Presidents have been, in succession: J. H. Dunham, 1857-1862; Henry Farnam, 1862-1863; Solomon A. Smith, 1863-1879; John Tyrell, 1879-1884; J. W. Doane, 1884-1898; and Orson Smith, 1898-1916. The last named is now Chairman of the Board and Edmund D. Hulbert is President.

The Company has been happy in its relations with a number of men of commanding genius and influence who have helped to guide its affairs. On the same board of directors sat Marshall Field, Cyrus H. McCormick, George Armour, and George M. Pullman. On the

death of Marshall Field in 1906, his estate was bestowed in trust with the Company, a testamentary trust the size and importance of which had never to that time been equaled. Four years later, upon the death of Chief Justice Melville W. Fuller, of the United States Supreme Court, it was found that he too had named the Company to be the executor of his will.

The growth of this important central western institution during late years, with some comparisons of growth on the part of the older trust companies of the East, will be recorded in the next chapter.

An event of world-wide moment occurred in 1858, when the first Atlantic cable message passed between Queen Victoria and President Buchanan, its wording, "Glory to God in the highest, and on earth peace, goodwill toward men." Small indeed was the glimpse then to be had by business people, including the trust company men of that period, into the coming years when this invention was, by conjoining two great continents, to afford instantaneous intercourse regarding the million-dollar affairs of modern days.

CHAPTER VIII

1865. SIX PIONEER COMPANIES. GROWTH SINCE THE CIVIL WAR

THE story of the trust companies down to the time of the Civil War has been told. Of the concerns organized before 1865 with original trust powers and destined to survive until our own times, there were six great pioneers, the Farmers', the New York Life, the Pennsylvania Company, the Girard, the United States, and the Merchants' of Chicago. These stand alone, for no record appears of any other trust company which now survives having been chartered, as such, between the years 1848 and 1864 inclusive. In their beginnings, marked mainly by timid efforts to unite fire and life insurance undertakings with a business as fiduciaries, the ground work was laid for the great futures of each, as well as of their later imitators. From now on, however, most of the quaint-

ness and much of the public misapprehension which so long existed fades away as we come to some individual narratives of how the companies have grown and thrived during the half century just passed.

On June 30, 1915, there were seventy trust companies in the United States, each of which had upwards of fifteen millions of dollars of total resources. The pages which follow will be generally devoted to accounts of their marvelous accomplishments since 1865.

Of the sextette of pioneers, the Farmers' Loan & Trust Company, the oldest in point of privilege to execute trusts, has always maintained first place, although to-day, 1916, there are three other companies, the balance sheets of which present larger aggregates. These are the Guaranty (New York Guaranty & Indemnity Company, 1864-1890), the Bankers, and the Central, all sister institutions in the great city of New York. Some of their achievements will be related farther along, but the reader's attention is now invited to the stories of the original six institutions chartered for trust business between the years 1822 and 1857.



New York Stock Exchange and office of the New York Guaranty
& Indemnity Company, Broad Street, 1866.

The Farmers' Loan & Trust Company remained in Wall Street until 1868. During almost fifty years since, it has occupied a building of its own at the corner of Exchange Place and William Street. The Presidents of the institution since 1836 have been: Robert C. Cornell, 1843; Dow D. Williamson, 1846; Rosewell G. Rolston, 1865; and Edwin S. Marston from 1898 to date.

As the first of the trust companies it has had identified with it many other names of prominent New Yorkers, among which may be mentioned Thomas Tileston, Shepherd Knapp, Moses Taylor, Daniel Drew, and Cornelius Vanderbilt.

A forty-year comparison of its balance-sheet totals shows an ever increasing volume of assets. They have been:

In 1876, June 30th	\$ 6,922,679.79
In 1886, December 1st	23,320,041.73
In 1896, June 30th	35,930,609.00
In 1906, June 30th	79,876,966.98
In 1916, June 30th	173,001,686.14

This last total, which also appears at the conclusion of this volume, made the Company

in the summer of 1916 the fourth in size in the country.

The Farmers' of to-day is an institution of \$1,000,000 of capital, and with nearly eight times that amount held in surplus and undivided profits. It employs more than three hundred officers and clerks, has a local branch in Fifth Avenue, and takes care of foreign commitments with agencies in London, Paris, and Berlin. Its annual dividends are at the rate of fifty per cent. paid upon stock now quoted at \$1600 per share, which quotation is the highest in the list of New York City trust companies. It is America's oldest trust company; there is none better known or more widely respected.

The New York Life Insurance & Trust Company remained under William Bard as President until 1843. In succession came Stephen Allen and John R. Townsend, until 1846. For twenty-five years thereafter David Thompson was the Company's head, and from 1871 to 1916 Henry Parish has made a record of the longest executive administration of affairs ever enjoyed by any trust company. As it is, Mr. Parish continues his labors as

Growth of "New York Life" 111

Chairman of the Board. In 1916, after forty-five years of untiring service, a new incumbent, Walter Kerr, succeeded to the presidency.

The Company has prospered since the days of 1830. Witness total resources, since the dates already accounted for, as follows: In 1876, thirteen millions; in 1886, nineteen millions; in 1896, twenty-eight millions; in both 1906 and 1916, forty millions. Among its present liabilities are \$1,000,000 of capital stock, \$4,000,000 of surplus and undivided profits, and annuity and life insurance funds, maintained as of old but now amounting to nearly \$3,000,000. The stock now pays 45 per cent. dividends annually. Down to July 1, 1916, the aggregate dividends paid had amounted to \$20,280,000, or 2028 per cent. upon the Company's \$1,000,000 of capitalization. The present bid price of the stock is \$970 per share.

This splendid old institution "accepts only private trusts and declines all corporation or other public trusts." It has numbered among its trustees one generation after another of eminent New Yorkers. As an example, be it

remembered that three Astors have sat upon the board, beginning with the original John Jacob, one of the sixty-one incorporators.

Since 1830 the Company has always made Wall Street its home. In 1871 the address became No. 52, and there to-day, although scorning some modern devices, even registry in the telephone book, the offer is publicly made of "Protection for Widows, Children, and Old Age," while the days of old are kept in memory by announcements that even in 1916 the institution "allows interest on *deposits*."

Like its New York confrères, the Pennsylvania Company for Insurances on Lives and Granting Annuities has progressed during all the years since its reorganization with trust powers in 1836.

Its presidents since 1857 have been but four: Charles Dutilh, until 1873; Lindley Smyth, until 1893; Henry N. Paul, until 1899, and C. S. W. Packard to date. The offices since 1890 have been at No. 517 Chestnut Street. In that year a site was obtained opposite the State House. On the spot where the old American Hotel had stood a massive building

was erected containing what was then famous as “the largest banking room in the world.”

There the “Pennsylvania Company” has thrived, enjoying a substantial trust business and showing during thirty years past a growth in resources and liabilities of from fourteen millions in 1896 to twenty-three millions in 1906, with a grand total in the summer of 1916 of forty-three millions of dollars. The capital is now \$2,000,000, the surplus and undivided profits, \$5,300,000. The shareholders receive regularly twenty-eight per cent. dividends on their holdings.

The fourth of our pioneer companies, the Girard of Philadelphia, after the death of Mr. Richards, the first President, in 1851, continued an uneventful but thrifty business during some years. From the beginning of the 1857 panic to the end of the Civil War, its dividends were never less than seven and one-half per cent.

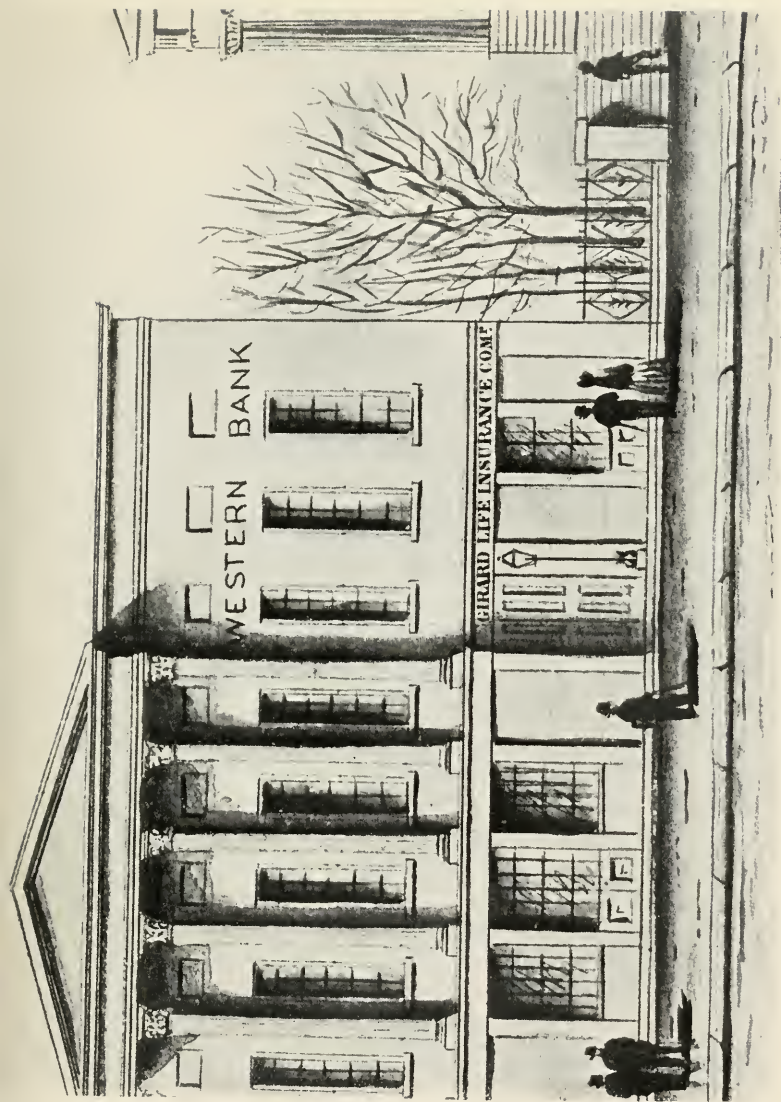
In 1861, responding to a call from the Committee of Public Safety, organized to raise funds for the defense of Philadelphia, the Company contributed its pro rata share; in

114 Story of Trust Companies

1862, a subscription was made to the Bounty Fund for Volunteers, and in 1863 another to the fund for raising troops.

The offices were removed from time to time upwards on Chestnut Street, and after several such moves, owing to the need for enlarged quarters, the institution in 1908 took up its home in the beautiful building it still occupies at the northwest corner of Broad and Chestnut Streets.

Philadelphia experienced some little financial depression for a year or two following the closing of the Centennial Exposition, but after this anxiety was removed the Company entered upon a period of steady and pronounced growth. In 1878 the business of life insurance was discontinued; by 1887 the Company's deposits subject to check amounted to about one million of dollars and its trust estates to about ten millions of dollars; these figures to-day are \$47,000,000 and \$188,000,000 respectively. The capital was increased to \$1,000,000 in 1886, and to \$2,000,000 in 1899, when the present title was adopted, Since 1901 it has been \$2,500,000, and the present surplus is nearly



No. 408 Chestnut Street, Philadelphia. Office of the Girard Trust Company, 1850 to 1872.

From original in Historical Society of Pennsylvania.

\$9,000,000. The Girard Trust Company in recent years has paid thirty-six per cent. dividends (\$900,000 per annum) on its capital and in this respect divides honors with one other great institution of that city, hereinafter to be described, the Provident Life & Trust Company of Philadelphia, which annually distributes \$360,000 to the holders of its \$1,000,000 of share capital.

It is worthy of special note that the Girard, immediately after its incorporation, paid a first dividend in 1837, and that notwithstanding panics and financial upheavals in the country there has been only one break in the dividend record—that of a semi-annual disbursement in 1842. The figures of total assets twenty years ago, ten years ago, and in 1916 have been \$12,000,000, \$43,000,000, and \$54,000,000 respectively.

Only three Presidents have succeeded Mr. Richards, namely, Thomas Ridgway, 1851–1883; John B. Garrett, 1883–1887; and Effingham B. Morris, during whose incumbency of almost thirty years the Company's notable growth has been achieved, and to whose wise

foresight was due the erection of the first imposing financial building in Philadelphia in a section which, largely on that account, has become the financial center of the city.

The United States Trust Company of New York, as has been shown, started business at No. 40 Wall Street. From 1858 to 1865 it was at No. 48 Wall Street; until 1887 it was at No. 49 Wall Street, opposite; and since then its home has been in the building known as No. 45 Wall Street.

From 1868 to 1903 John A. Stewart served as President. In the latter year, which was the Company's fiftieth anniversary, he was appointed Chairman of the Board of Trustees. This was a relief from arduous and confining services without, however, depriving the Company of his knowledge and experience and the benefit of his counsel and advice. To-day, 1916, Mr. Stewart, after having entered the Company's service sixty-three years ago and with but a single interruption, while he acted as Assistant Treasurer of the United States, during the Civil War, is still to be found at his desk each day attending as of old to the re-

sponsible affairs of the Company. After 1903, Lyman J. Gage, who had been Secretary of the Treasury, took up the duties of President, being succeeded three years later by Edward W. Sheldon.

The Company's growth during forty years past will be seen from the following tabulation of resources and liabilities:

1876	June 30	\$26,050,641.61
1886	December 14	41,058,004.94
1896	December 31	48,650,127.26
1906	June 30	70,918,857.64
1916	June 30	80,955,731.66

Included in the present liabilities are \$2,000,000 capital stock and \$14,400,000 of surplus and undivided profits. The annual dividend rate is fifty per cent. and the stock is quoted at \$1035 per share.

The sixth of the pioneer companies, The Merchants' Loan & Trust Company of Chicago, was sketched in the previous chapter. A word must be added, however, regarding its growth since 1896, when the Company's balance sheet showed a total of \$16,000,000, increasing in 1906 to \$58,000,000, and in 1916 to \$84,000,000.

118 Story of Trust Companies

It is in order here to show one or two illustrations of the sort of services which trust companies render. At this period, issues of securities and investments therein were naturally on a most limited scale, as compared with present-day issues and investment holdings. But from about this time it became the practice, less as an experiment and more with recognition of the fitness of the trust companies to act in representative capacities, for corporations, associations, and individuals to avail of the facilities now to be described.

Modern practice requires that a railroad or industrial corporation desiring to issue bonds shall execute a deed of trust, conveying the property, securing the bonds to a trustee, who upon the face of the bonds certifies that the property has been so pledged, that the issue is on certain terms, and that each bond is one of the total number issued. This duty is now almost invariably performed by a trust company, which arranges also, when desired, to register the ownership of the bond, paying interest thereon by check instead of upon the presentation of coupons. In a similar manner

a trust company will act as registrar of an issue of stock, another company recording transfers of ownership of the shares; this leads to the certification of stockholders' lists for dividend purposes; and all of these services are performed in consideration of regular fees, which contribute largely to the gross income of the company. Among other services rendered may be mentioned the duty of acting under appointments as executor, administrator, guardian, and as committee. Corporate and individual trusts are also undertaken involving the deposit of money and securities, the principal and income of which are to be devoted to specific purposes. Sometimes these deposits are made until reorganization arrangements can be effected. Occasionally they are subject to distribution under escrow agreements, and almost always the trust company is asked, and consents, to assume responsibilities involving the safeguarding of property, or to exercise discretion in its management to a degree beyond that which individuals would care to employ, or would be warranted in having entrusted to them.

120 Story of Trust Companies

Among thousands of commitments of this character one or two modern appointments of the trust companies already described will be made to serve as outlining these functions.

The Farmers' Loan & Trust Company now registers some \$30,000,000 of capital stock of the Delaware, Lackawanna, and Western Railroad and over \$170,000,000 of capital stock of the New York, New Haven, and Hartford Railroad. Since 1896 it has been trustee under an issue of Northern Pacific Railway General Lien and Land Grant Gold three per cent. bonds. The authorized issue is \$190,000,000 and this trust will continue until the maturity of the bonds in the year 2047.

In the late summer of 1916 the United Kingdom of Great Britain and Ireland turned to the United States for financial aid, arranging a two-year five per cent. loan of \$250,000,000, secured by some \$300,000,000 of stocks of American corporations and bonds of the Dominion of Canada and other foreign governments. In appointing a trustee, as custodian for this vast gathering of wealth from abroad, under a pledge agreement executed by the Government

of the United Kingdom, the choice fell upon The Farmers' Loan & Trust Company. Without describing the great volume of labor required in the handling of these securities, it will be possible to judge somewhat of the magnitude of such a transaction when it is stated that the mere task of certifying the bonds issued under this agreement has lately, and within the space of a few days of time, required the officers of the Farmers' to affix their names to bonds containing no less than 165,000 signatures.

CHAPTER IX

INCORPORATIONS FROM 1865 TO 1868

As we look back to the dark days of 1864 in the Nation's history, it is worthy of special mention that one great American trust company should have been started at such a time. This was the Union Trust Company of New York, incorporated April 23, 1864, and opened for business in 1865 at No. 73 Broadway. This first address was at the corner of Rector Street, where the Company was domiciled for nearly twenty years. Its first President was I. H. Frothingham. Toward the end of this period the building became famous as the scene of an attempt upon the life of Russell Sage, who was there attacked by the insane bomb thrower, Norcross. Mr. Sage was one of the Company's early Trustees. The boards in the early years also included a number of

other prominent financiers, among whom may be mentioned David Dows, Robert Goelet, Abiel A. Low, James S. Wadsworth, and Cornelius and William H. Vanderbilt.

In 1876 the Company's total assets amounted to nearly \$11,000,000; in 1886 they were \$26,000,000; in 1896, \$39,000,000; in 1906, \$53,000,000; and in 1916, \$95,000,000.

Throughout the thirty-five years ended 1908 Edward King served as President. During the following year John W. Castles acted in that capacity. Since 1910 Edwin G. Merrill has been President.

In 1886 the Company received an appointment as trustee under a deed of trust which has been, and will long continue to be, famous for the length of term of the bonds secured thereby. This covered the issue by the West Shore Railroad of \$50,000,000 of first mortgage four per cent. bonds, due 475 years after their date, that is in the year 2361.

The Union Trust Company made it a rule, long before the days of statutory reserves being compulsory, to keep large sums of cash on hand to secure deposits. This fund was mostly in

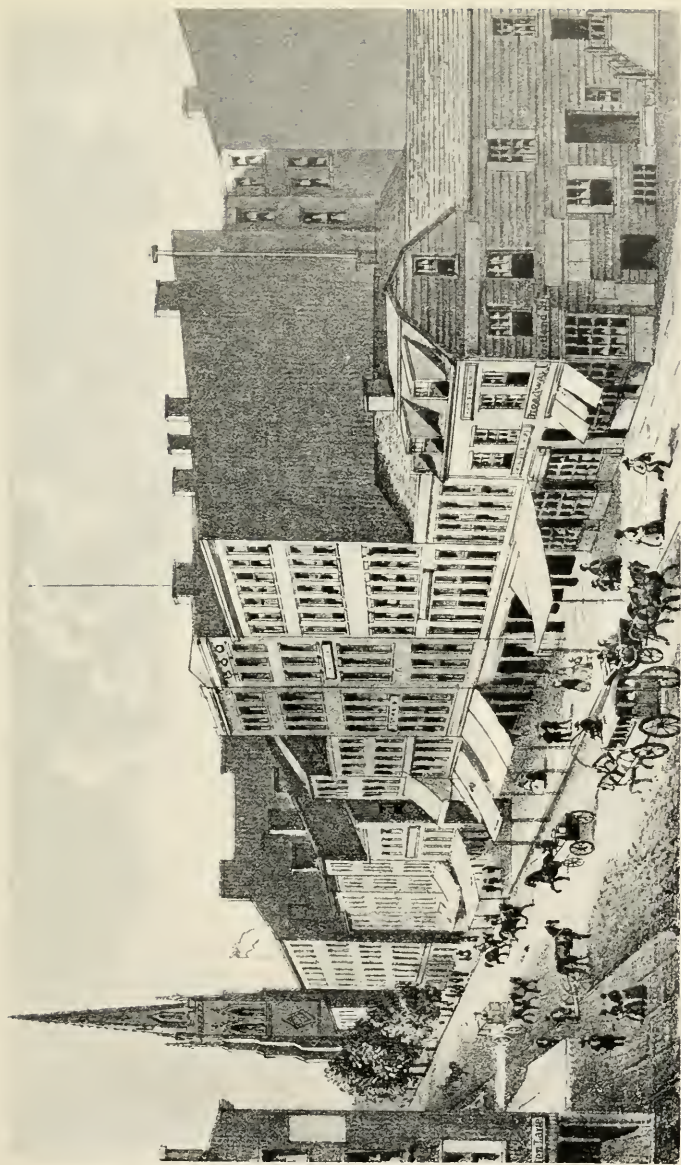
124 Story of Trust Companies

gold and was maintained from 1884 onward in an amount which never fell below \$3,000,000, and was sometimes larger. This voluntary practice was always deemed, both within and without the Company, to be on lines of the utmost of prudence and conservatism.

The Company to-day has \$3,000,000 of capital and \$5,500,000 of surplus and undivided profits. Dividends were paid in 1915 at the rate of seventeen per cent. The stock sells at \$380 per share.

The offices for years have been in the Company's own building at No. 80 Broadway. Recently there have been two uptown branches established, one at Thirty-eighth Street and Fifth Avenue; the other on the same Avenue, fronting Central Park at Sixtieth Street.

On Third month 22^d, 1865, eighteen days before Lee's army laid down their arms before General Grant and the Union forces at Appomattox, a charter was bestowed upon the Provident Life & Trust Company of Philadelphia. This was the third great institution to be formed in the City of Brotherly Love. The organization was brought about by a few members of



Broadway, New York, 1834, from Cortlandt Street to Wall Street. The site occupied later by the Union Trust Company, at No. 73 Broadway, was directly below Trinity Church.

the Society of Friends. Thirty-three years previously some members of that Society had established the Friends' Provident Institution of Bradford, England. Its operations were confined to insurance of the lives of birthright Friends, and its experience had shown a remarkably low mortality, owing to the exceptional longevity among the members of that sect. Accordingly, these Friends of a generation later, attracted by the success of the earlier institution, felt drawn to the idea of life insurance, and since a capital stock was a legal requirement for that business, had the charter include the authority to transact a trust business also; the profit from which should remunerate the stockholders, it being provided that the entire surplus in the insurance department should accumulate for the benefit of the policy holders, so that the only advantage, direct or indirect, which the stockholders could at any time have from the union of the two features of the business would result from the fact that the management of the trust business, from which they derive their profit, would be done for them without charge.

The proposed business was not, however, to be confined to Friends, but dealings were to be had with "others of like careful habits." The Company's first President was Samuel R. Shipley. It began business in a basement at No. 247 South Third Street, and the records show that on Tenth month 1st, 1865, the building at No. 111 South Fourth Street was leased.

The very early records contain many quaint facts, as viewed in the light of larger developments in later years. For example, on Tenth month 9th, 1865, the minutes recorded: "The engagement on trial of Joseph R. Smith as City Canvasser," and a month later that he had "given up the position, for physical disability after a trial of one and a half weeks." That the Company was provident in practice as well as in name, is shown in the record of "the purchase on very favorable terms from the North American Transit Insurance Company of the desks and office furniture required for the new office at No. 111 South Fourth Street."

The capital was increased in 1871, by subscription, to \$500,000, and two years later the Company moved into its own building at No.

108 South Fourth Street. The Company's President at the present time is Asa S. Wing, who has been in its service since 1867, first as assistant actuary, later, and until 1906, as vice-president and actuary.

The Provident Life & Trust in 1879 took up quarters in its own building at No. 409 Chestnut Street, where it still continues to transact an insurance and trust business. It is one of the very few life insurance institutions having both life insurance and trust departments. In 1866 the deposits were reported at \$78,109.69. By 1875, the total resources were about \$2,600,000. In 1885, they were a shade over \$9,000,000. Ten years later, in 1896, the aggregate had increased to approximately \$40,000,000. The totals for 1906 and 1916 were \$73,000,000 and \$105,000,000, respectively, the figures for the latter year composing insurance assets of \$83,960,190.51 and assets apart from insurance of \$21,354,620.13. On June 30th of the year last named the Company's capital was \$1,000,000 and its surplus and undivided profits upwards of \$5,500,000. The annual dividend rate is thirty-six per cent.

Again in Philadelphia, in 1866, was seen the birth of a new trust company known as the Fidelity Insurance Trust & Safe Deposit Company. As will be seen from the Company's title, insurance, fidelity and trust plans were supplemented by authority "to receive upon deposit for safekeeping, jewelry, plate, stocks, bonds, and valuable property of every kind." In all the early advertisements of the Company great stress was laid upon this function. It was the first concern to be known as a safe deposit company in Philadelphia and its objects were stated in the first prospectus in the following words:

"The great wealth of the country, the vast amount of Government and other Loans, transferable by delivery, and held by the uncertain tenure of possession, the injury and inconvenience resulting from the loss of these and registered securities, demand a means of protecting such property from the risks of Fire, Accident, Robbery and Theft, which no arrangements hitherto existing have afforded. A PLACE OF ABSOLUTE SAFETY FOR ALL SUCH SECURITIES has become a pressing necessity. It is to supply this that

the present Institution has been founded. It is the purpose of the Managers to provide for their depositors every security against fire, depredation, or accident, which architectural and mechanical skill can combine in the structure and material of their BUILDING, VAULTS, and SAFES. The location of their building—between the First National Bank and the Bank of North America—is in itself a GUARANTEE OF SECURITY difficult to surpass. The internal police of the office has been organized with special care, and there will be A CONSTANT NIGHT-WATCH INSIDE THE PREMISES; AND TO THIS IS TO BE SUPER-ADDED THE PROTECTION OF A LARGE CAPITAL.”

The interest with which the enterprise was at first received, was largely increased by the frequency of burglaries of banks and of offices, which occurred before the incorporation and for a few years afterwards. Among these may be mentioned the robbery of the Commonwealth Bank of Philadelphia in 1865, and of a ninety thousand dollar loss from the same cause by Cochran & Co., wine merchants on Walnut Street. This occurred in 1866, and in the same year the Hartford Bank experienced

130 Story of Trust Companies

similar troubles. Other alarming robberies occurred at about the same time, sixty thousand dollars from the Mechanics Fire Insurance Co. of New York and large sums from the Ocean Bank of New York, the Boyleston Bank of Boston, the Third National Bank of Baltimore, and the Consolidated Bank of Louisiana. In 1869 a large robbery occurred in Philadelphia at the Beneficial Savings Fund Society, Twelfth and Chestnut Streets, and two years later another took place at the Kensington National Bank.

Of all these great thefts the most sensational was that at the Kensington National Bank, which occurred in February, 1871; it was reported that \$120,000 of bonds were taken. The burglars obtained an entrance into the Bank upon the pretense of being police sent by the authorities to prevent an alleged intended robbery, and in this case, as in the others, it was determined that the Bank had not been guilty of such negligence as would render it liable.

The effect of the feeling of insecurity caused by these depredations was that safe deposit

companies sprang up in various parts of the country, the Fidelity being the second to appear, one in New York having preceded it by but a short time. Similar companies were started in Cincinnati, Baltimore, and other cities. Emphasis upon this branch of the Company's business from its inception down to the present year, has made the clause "Security from loss by burglary and robbery, fire or accident" a most effective feature of publicity.

The Company was opened for business on September 1, 1866. Its first President was Clarence H. Clark, who was succeeded by N. B. Browne and then by Stephen A. Caldwell, who in turn was followed by John B. Gest in 1890. For fifteen years following 1900, Rudolph Ellis was President, being succeeded in 1915 by William P. Gest, who had been Vice-President since 1900.

The Company's offices to-day are at No. 325 Chestnut Street, the title having been shortened to read Fidelity Trust Company. Since the time half a century ago, when a modest beginning was made with \$250,000, of capital, gradual increases of the stock have occurred

until the outstanding shares now amount to \$4,000,000, with surplus of over \$13,000,000. The dividend rate in recent years has been twenty-four per cent. The total resources have been in round numbers: 1876, \$12,000,000; 1886, \$18,000,000; 1896, \$19,000,000; 1906, \$42,000,000; and 1916, \$47,000,000, without including trust funds.

Among numerous important testamentary trusts which have been committed to the Company the best known, perhaps, has been an appointment dating back to 1894 by Richard Smith who died in that year. Under its terms a sum not exceeding \$500,000 was devoted to the erection in Fairmount Park, of a monumental granite memorial containing statues of a number of distinguished Civil War generals and admirals, of which the most conspicuous are Generals Hancock, McClellan, Meade, and Reynolds. This magnificent memorial was duly erected in Fairmount Park under the trusteeship of the Fidelity Trust Company, which was directed further to spend \$50,000, in the erection of a proper building and the enclosing of a children's playground in the

Park. This worthy undertaking was duly established in 1899, and has since that date been continuously maintained under the direction of the trustee.

The companies hereinbefore described—that is, the ones which have endured down to the present—were all New York, Philadelphia, or Chicago companies. In 1866 a charter was taken out by a Brooklyn institution. At that period the population of what is now Manhattan Borough was less than nine hundred thousand, while Brooklyn was an independent city of about three hundred and fifty thousand. This new undertaking was known as the Brooklyn Trust Company. It has had a phenomenal growth in total resources. These amounted in 1876 to less than \$2,000,000; in 1886, \$9,500,000; 1896, \$12,000,000; in 1906, \$20,000,000. The statement of June 30, 1916, shows upwards of \$47,000,000.

Ripley Ropes was President during the early years and was succeeded by General C. T. Christensen, who, upon his death in 1903, was in turn succeeded by Theodore F. Miller. Edwin P. Maynard has been President since

1913. The Company has for many years made its home at No. 177 Montague Street, adjoining Clinton Street, where on a plot running through to Pierrepont Street a handsome modern building is at the time of this writing about completed.

The Company's capital stock twenty years ago was \$300,000. In 1913, the Long Island Loan & Trust Company was absorbed, itself one of the prominent institutions of Brooklyn. The capital at this time is \$1,500,000, with surplus and undivided profits of approximately \$4,000,000. The stock pays dividends at the rate of twenty per cent., and, in addition, extra dividends from time to time, and commands a price of \$520 per share. Among developments of recent years may be mentioned the establishment of a branch office at Fulton Street and Bedford Avenue, Brooklyn, and a Manhattan office at the corner of Wall Street and Broadway.

First in the New England field, mingling the ideas of preservation of life and conservation of wealth, the Rhode Island Hospital Trust Company began its career in 1868.

As to the origin of its name, one of the original

incorporators in speaking of the early history of the Company, stated:

“It owed its existence to the desire of a few public-spirited men to create what should be a financial institution of high credit and powerful resources, and at the same time prove a pecuniary helper to the Rhode Island Hospital, a benevolent institution then in its infancy.”

Under a section of its charter the Company was required:

“To pay over, annually, to the ‘RHODE ISLAND HOSPITAL,’ for its use, one-third part of all the net profit upon the capital stock of said corporation over and above six per cent. thereon. This obligation shall continue so long as no similar act of incorporation shall be granted by the legislature of this State to other parties than the corporators herein.”

By mutual agreement and under a subsequent settlement with the Rhode Island Hospital, this section became inoperative. The early association of the two institutions was helpful to both and the friendly relations of

136 Story of Trust Companies

the early years have continued to the present time.

The story of this Providence institution is one of constant growth in both banking and trust undertakings. As far back as 1876 the balance sheet footed \$7,000,000; by 1896 this aggregate had more than doubled to over \$15,000,000; in 1906 the total was approximately \$30,000,000.

In that year an important local bank was acquired, the American National, and since 1909 when the capital (shares \$1000 each) was increased from \$1,000,000 to \$2,000,000, and in 1911 to \$2,500,000, the Company has moved steadily onward. To-day its reported surplus and undivided earnings amount to over \$3,500,000 (inclusive of \$330,000 of guaranty and improvement funds), while its total resources and liabilities have risen to the sum of \$55,630,437.74, making it the third company in size in New England. Herbert J. Wells has acted as President during more than thirty years past.

An important Cleveland institution, established in 1868, will be next in order of considera-

tion, but before describing it in the succeeding chapter a word or two will be of interest as showing how little the trust company idea was understood, and how small a part the several companies were deemed to have in the country's entire banking affairs even as late as the year 1868. A glance at some of the features of a financial directory published in that year, the *Merchants and Bankers Almanac of 1868*, reveals the names and some of the particulars regarding no less than 1650 national banks, 270 State banks, and 1400 private and savings banks. To these a list was appended of 600 fire, marine, and life insurance companies. Statistics were shown for fluctuations in the price of gold, English consols for 135 years, and iron, cotton, hops, and molasses, the two last-named articles being priced for over forty years previous.

The only reference, however, to a trust company was a one page advertisement of the National Trust Company, then at No. 336 Broadway and fated within the next few years to disappear from the little group of trust corporations which might then have been given a place in such a reference book, but which were not

138 Story of Trust Companies

until many years later inserted in the "blue books" and cyclopedias, along with their contemporaries, the banks. As far along as the early nineties it was the exception, not the rule, to find references made in such publications to trust company directorates.

CHAPTER X

PROGRESS FROM 1868 TO 1873

WE come now in our story to the founding in 1868 of one of the greatest financial institutions in the Central West. This was the Citizens Savings & Loan Association which, as the result of various mergers has become the Citizens Savings & Trust Company, the oldest and largest trust company in Ohio.

It was in 1903 that three of Cleveland's best known financial institutions, the Citizens Savings & Loan Association, the Savings & Trust Company, and the American Trust Company, were consolidated under the title of the Citizens Savings & Trust Company, each contributing a large measure of financial strength, and each bringing its quota of depositors and patrons.

The Citizens Savings & Loan Association

began business in temporary offices in the Weddell House Building on lower Superior Street. Some time later it moved to the Wade Building at No. 108 Superior Street where it remained until 1894, when it moved to larger offices on the ground floor of the Case Building, the site of which is now in part occupied by the Post-Office Building.

The institution remained in its location in the Case Building until the consolidation above referred to, when a magnificent new fourteen-story building, the Company's present home, was erected.

Among those comprising the first directorate of the Citizens Savings & Loan Association were such well-known names as Jephtha H. Wade, who was President until his death in 1890, U. S. Senator Henry B. Payne, and George Worthington. From 1878 to 1881, President James A. Garfield was a member of the Board and Secretary of State John Hay served as a Director from 1883 to 1893.

The Savings & Trust Company was the first trust company organized in the State of Ohio. It opened for business in May, 1883, in the

Benedict Building on Euclid Avenue and subsequently purchased the property on Euclid Avenue now occupied by the Union National Bank, in which building it remained until the consolidation in 1903.

The American Trust Company commenced business in 1898 in the American Trust Building on the west side of the Public Square and occupied these quarters until the consolidation five years later.

The Citizens Savings & Trust Company conducts its business along the most conservative yet at the same time thoroughly efficient lines. Its loans are made exclusively on real estate first mortgages or on approved collateral. It maintains a Foreign Exchange Department and conducts an extensive safe deposit business. It is well known throughout this country, and in many places abroad, as the Home of Banking by Mail, and in this department it handles many hundreds of thousands of dollars.

Its Trust Department has charge of trust estates amounting to many millions. Among the many trusteeships which have been handled

142 Story of Trust Companies

by the institution may be cited one or two special cases.

The late Benjamin Rose left an estate valued in excess of \$3,000,000 to the Citizens Savings & Trust Company, as trustee in perpetuity, and directed the trustee to organize and superintend an institution for the purpose of distributing the entire net income of the estate to deserving old men and women. By this arrangement monthly payments are made to many people, enabling them to remain in their own home instead of having to go to some charitable institution.

The late Robert R. Rhodes left an estate valued at \$2,000,000 the bulk of which was left to the trust company, as trustee in perpetuity, and the income is to be paid to various hospitals and charitable organizations in Cleveland.

From an institution of about \$8,000,000 of resources twenty years ago, the Citizens Savings & Trust Company has grown until its latest statement, issued on the last day of June, 1916, showed total resources of \$70,661,825.82, with capital of \$4,000,000, surplus and undivided profits of \$3,498,823, and deposits of \$62,962,790.32.

New England Trust Company 143

J. H. Wade, son of the original President of the Citizens Savings & Loan Association is Chairman of the Board of Directors. H. R. Newcomb, who was President from the time of the consolidation in 1903 until his death in 1910, was succeeded at that time by D. Z. Norton.

Boston entered the trust company field in 1871, presenting for instant public approval the New England Trust Company, which had been chartered two years previously. The Company's offices were at No. 76 Devonshire Street, later at No. 85, almost directly across the street, and in 1906 a handsome building was erected at the corner of Milk and Devonshire streets. The early Presidents were Amos A. Lawrence and Otis Norcross, followed by Wm. Endicott, Jr., and David R. Whitney. Since 1912 James R. Hooper has acted in that capacity, and in 1915 George Wigglesworth became Chairman of the Board.

The growth of the Company has been constant and the progression of total assets since 1876 shows: in that year, \$6,000,000; in 1886, \$12,000,000; in 1896, \$15,000,000; in 1906, \$18,000,000; in 1916, \$29,000,000.

The present capital is \$1,000,000, the surplus and undivided profits \$2,992,786.32.

Entirely in line with earlier endeavors in the same city, the Philadelphia Trust, Safe Deposit & Insurance Company came into corporate existence in 1869. As indicated by the title, several distinct functions were contemplated, and not until 1915 was the name Philadelphia Trust Company adopted.

The early Presidents were J. Livingston Eringer and W. L. DuBois. This office was held by Roland L. Taylor in 1910 and 1911, by Samuel L. Heebner in 1912, and since 1913 Thos. S. Gates has been the Company's head. The institution is a strong one. Its capital of \$1,000,000 now carries with it surplus and undivided profits of \$5,000,000, and the growth in assets since 1906 has been from a total of \$12,000,000 to a present volume of over \$30,000,000.

The year 1869 also saw a new incorporation in Chicago. This was the Union Trust Company which during late years has been domiciled at No. 7 South Dearborn Street, corner Madison Street, its earlier home having been at No. 145. Back in 1896, under the presidency of S. W.

Ransom, it was a modest concern of \$500,000 capital, \$900,000 surplus and undivided profits, and \$4,500,000 of total resources and liabilities. Since 1905, Frederick H. Ransom has been President and the corresponding figures for June, 1916, are \$1,500,000, \$1,600,000, and \$34,500,000, respectively.

The great Chicago fire of October 9, 1871, played sad havoc with the city's financial possessions. Most of the banks and trust companies there were equipped with vaults of old-fashioned types of construction, and the losses in cash securities and records were, in some instances, complete. For many days after the conflagration was ended there was an entire suspension of financial activities, and not until months after was business resumed on anything like a normal basis.

In 1873, however, the newly created metropolis of the West saw the corporate foundation laid for a great institution known as the Illinois Trust & Savings Bank.

This concern has always held high rank among the trust companies of the country. As far back as 1896 its report showed footings of no

less than \$30,000,000; in 1906 the extraordinary total of \$106,000,000 was reached, at that time the largest sum of resources of any trust company; to-day, 1916, with \$5,000,000 of capital, \$11,000,000 of surplus and undivided profits, and \$128,000,000 of total liability, it is the seventh company in size in the country. The present offices are in a substantial banking house at No. 233 South La Salle Street, where for over twenty years past John J. Mitchell has devoted himself to the duties of President of the institution.

In the late summer of 1873 came a severe panic which both interrupted existing trust company arrangements and offered many discouragements to new undertakings. The troubles of that period were precipitated by public distrust of the Government's financial policies; there had been reckless over-extensions among the railroads and other corporations; speculative tendencies had developed to a degree previously unheard of. When the crash came in Wall Street, the chief scene of the difficulties, it was not unnatural that some of the trust companies should be affected.

During that summer two institutions in what is now Greater New York were forced to suspend for short periods. In one instance it was claimed that the management was lacking in diligence in the handling of certain city funds, the newspapers asserting that it had not acted in good faith in the surrender to outsiders of some large quantities of securities. At least two of these newspapers had libel suits filed against them before matters quieted down and the company was able to resume business.

In September, 1873, began a series of Stock Exchange failures which greatly unsettled public confidence. Fisk & Hatch of New York and Jay Cooke & Company of Philadelphia were among the many great brokerage houses to go to the wall. The closing months of the year witnessed many stirring events in New York, a notable instance being the trial and conviction of the city boss, William M. Tweed. The period was one of great financial distress and of constant accusations and recriminations among persons high in public authority, but the trust company embarrassments of 1873 were short-lived and seem now, in the light of

minutes and other records which have been preserved, to have been considerably exaggerated in the press accounts of that year's happenings.

Returning now to the New England field, the story of the Boston Safe Deposit & Trust Company illustrates the want of co-operation on the part of the investing public which the founders of many prominent trust and safe-deposit companies had to experience and overcome. Originally incorporated in 1867 by special act of the Legislature, under the title Boston Safe Deposit Company, it was authorized, by amendment in 1874, to assume the present corporate name, to conduct a banking business, and to act as registrar of stocks and bonds and as transfer agent.

Yet it was not until June 1, 1875, that the Company began business, confining itself to safe-deposit transactions until July 2, 1876, when a banking department was established. It is recorded that Edward P. Bond, who obtained the charter, actually carried the document about in his pocket for eight years trying to interest investors in the possibilities which he foresaw in a safe-deposit business.

The original capital of the Company was \$200,000, which was doubled in 1876 after one year's business; in 1890 it was increased to \$1,000,000, which remains the capital at the present time.

In 1877 the Company was given authority by the Legislature to act as trustee under will, and in 1899 it was appointed by the Bank Commissioner as executor under wills, as administrator of estates and as guardian of minors and incompetents. These were the first instances of such powers being granted to trust companies in the Commonwealth. The Company at present holds in trust over \$30,000,000, the largest amount so held by any trust company in Massachusetts, and the deposits of its banking department have increased from \$500,000 in 1877, to \$16,000,000, without the absorption of any other institution.

The offices and vaults of the Company are located in its own modern building, No. 100 Franklin Street, the former and original quarters having been at No. 87 Milk Street.

The Presidents have been Francis M. Johnson, 1875 to 1877; Frederick M. Stone, 1877 to

150 Story of Trust Companies

1897; William E. Putnam, 1897 to 1905; Charles E. Rogerson, 1905 to date.

The growth of resources:

1876—\$ 935,281.94	1896—\$ 9,034,758.94
1886— 4,539,618.48	1906— 15,695,909.86
1916—\$20,833,008.01	

The present capital is \$1,000,000, the surplus and undivided profits \$3,216,378.13.

Chartered in 1873, opened for business in 1875, the Central Trust Company of New York, always among the most progressive of trust companies, is in 1916 the third largest in the United States. In the beginning, Henry F. Spaulding was elected to the presidency and offices were opened at No. 14 Nassau Street, which were occupied until 1884. The Company then removed to the building directly opposite, at No. 15 Nassau Street.

It was at about this time that Frederic P. Olcott, former Comptroller of New York State (1878-1879), became President of the Company. In 1887 the quarters at No. 15 Nassau Street were outgrown and a new location was chosen at No. 54 Wall Street in the shadow of the old

Custom House. This building is to-day almost as intimate a landmark of lower New York as its venerable neighbor across the street, and it has been the home of the Central Trust Company from 1887 to the present time.

In 1876, one year after commencing business, the Company reported resources of \$5,263,302.50 and about the time of removal to the present address, in July, 1887, the figures were \$22,521,975.59, a growth of over seventeen millions of dollars.

From 1896 to 1906 the surplus and undivided profits grew from \$6,242,995 to \$15,214,974.99, while the total resources reached \$83,004,867.52, in striking testimony of the methods and policies of Mr. Olcott. Upon his being elected Chairman of the Board of Trustees in 1905, the present incumbent, James N. Wallace, was elected President. Mr. Olcott continued as Chairman of the Board of Trustees until his death in 1909.

The capital stock, which had been \$1,000,000 since the inception of the Company, was in 1909 increased to \$3,000,000 by means of a dividend of \$2,000,000. In July, 1916, a dividend of

152 Story of Trust Companies

\$2,000,000 was paid to the shareholders, at which time the capital stock was increased to \$5,000,000.

As of June 30, 1916, the Company reported surplus and undivided profits of \$18,258,793.74 and total resources of \$175,484,519. Its present holding of this vast aggregate of wealth makes the Company third in size in New York City as well as in the United States.

The Central Trust Company has been distinguished at all times as an institution composed of prominent financiers. The late J. Pierpont Morgan served some years as a Trustee. The late John S. Kennedy was also a Trustee until his death. The Company is famous for the liberal treatment it shows its officers and employees, old and new; the annual Christmas gifts are fifty per cent. of the year's salaries. Since 1914, an uptown branch has been maintained at Forty-second Street and Madison Avenue.

CHAPTER XI

1874 TO 1876. FIRST SUPERVISION. EARLIEST STATISTICS

A LULL ensued between 1872 and 1881, so far as new trust incorporations were concerned, but within this period two notable events occurred. One was the first administering anywhere of a law compelling examinations by State authorities, the other a gathering for the first time of any figures for trust companies worthy the name of statistics.

Prior to the year 1872 there was practically no State supervision of trust companies. Some of the companies, in compliance with their charters, reported to the courts, while others, by virtue of their character, reported with the insurance companies.

In the year mentioned Connecticut enacted a supervisory law and soon afterwards the

functions of the trust companies, as well as the differences between them and the State banks began everywhere to be better understood. During 1874, New York passed laws whereby trust companies came under the supervision of the Banking Department (existing since 1851), were compelled to make annual reports to the Superintendent, and were subjected to yearly examinations. Ohio enacted a trust company law three years later but annual examinations were not authorized until 1908. It was also as late as 1908 before the Superintendent in New York State could take charge of an unsound trust company.

Vermont first required reports in 1878, and Louisiana and Maine, in 1882 and 1883 respectively, were the next to take the step. Of the larger States, Illinois followed in 1887. Some of the Massachusetts companies, under provisions of their charters, reported to the bank commissioners as early as 1870, although the Legislature did not require this until 1888.

Pennsylvania's Legislature was as late as 1891 in passing regulative laws. Such had the confusion been in this State that back in 1852

and 1853 only one of the State's two companies had reported, apparently to the Legislature; while as late as 1878, six reported to the Auditor General, three to the Superintendent of Insurance, and one independently of any department. In California, West Virginia, and Colorado, trust company supervision was contemporaneous with that of Pennsylvania.

Thirty-three years after the legislation in New York, that is in 1907, a count of the States showed that forty-five of them had passed trust company laws, though in the majority of cases these laws were almost identical with those governing State banks, some prescribing more, some fewer, requirements.

The searcher of public documents cannot fail to be impressed with the inconsistency of all this. Until a date nearly a hundred years after the Nation's birth the trust companies were really so many free lances. How valuable would the record be now if we could look back to complete figures by States during the early years. There are elaborate old documents relating to almost every subject, from legislative junkets on the River Nile to the

most approved methods of oyster cultivation along our own shores; there have been governors' messages printed in foreign languages, and great illustrated tomes have now and then appeared on subjects like pomology, piscatology and paleontology; but scientific control of trust companies by the State governments was an unheard-of study as lately as forty-five years ago.

In the seventies the abuses of the earlier years began over again. In New York State, Governor Cornell ruled in a veto message, as late as 1881, that the Bankers' Life Insurance & Trust Company of New York, incorporated by special charter in 1871, was not entitled to change its title by eliminating the word "Trust" therefrom. He remarked:

"Diligent inquiry among bankers, trust companies and commercial agencies in New York has afforded no information as to the existence or operations of the Company. It would seem that a corporation which has been so prolific of legislation should not be permitted to occupy an additional space in the statutes of the State, at least until it

shall have made for itself a local habitation and a name by which it can, upon inquiry, be found. The failure to report to the Banking Department, as required by its charter, is another reason why the change of name should not be assented to at this time."

Just how a condition like this could have existed is not clear, for under Chapter 324 of the Laws of 1874 of New York State, which was entitled: "An act relative to moneyed corporations, other than banks, institutions for savings, and insurance companies," it had been provided that every trust, loan, mortgage security, guaranty or indemnity company or association, having the power and receiving money, was required semi-annually on June 30th and December 31st in each year to make a report to the Banking Department.

This statute, as already stated, compelled the Superintendent of Banks to make a visit once each year at the offices of the corporations thus placed under his authority, and to examine their condition. As of the end of the same year the Superintendent was able to report what was then a very imposing

aggregate of capital and deposits for the Empire State. He said:

“Under the law passed at the last session of the Legislature, reports were made on the 30th of June last by twelve moneyed corporations, variously styled trust, or loan, or indemnity or guaranty, or mortgage companies. These reports show that the companies have an aggregate capital of \$11,752,040. Their deposits amounted to \$38,479,764, a sum which is nearly three-fifths as much as the entire deposits held by the State banks.

“In the endeavor to procure reports from this class of companies, it was discovered that many of them which have been incorporated during the last few years have made no organization, while some others which have been organized have languished and failed in the end. It is believed that every company which is subject to the provisions of the law mentioned, is embraced in the reports which are elsewhere given. They show the several companies to be apparently in a sound condition, although the statement of one of them exhibits an impairment of capital.

“During the present year the examination of these companies will be made as the law provides.”

Views of Federal Comptroller 159

That methods of supervision were needful, and had long been so, was clearly pointed out by the Comptroller of the Currency at Washington, at the beginning of 1874.

Commenting upon his report issued at that time, the *Bankers Magazine* presented the following interesting remarks on the subject of supervision:

“The Comptroller alludes to the trust and loan companies which have grown up in late years and now assume a large space in New York City and in various cities of New England. Properly managed, these institutions are not only useful but necessary. They were intended as repositories for trust funds, for accumulation of deposits to be loaned on mortgage, and for investments in government loans, in other words as Savings Banks on a large scale. Recently they have been converted into stock-jobbing concerns, apparently for the benefit of stock operators and in large sums; thereby defeating their original objects and contributing to the demoralization of stock speculators. Call loans are among the active causes of a panic, and bankers handle them at a great risk. The Comptroller's views are as follows:

““These companies are actually organized by special State Statutes in the large cities. Their capitals, deposits, and business are quite large in amount. Generally, if not always, they are not required to report to the State authorities, but under the orders of one or other of the courts. Some of these occur at long intervals and are probably published in the newspapers, but even when so published they are by no means full, and furnish but little available information. For instance, one of the largest of these institutions, has published but one report in a year and that report contains only a statement of its assets, without any mention of the amount due to its depositors or any of its liabilities. The bank Superintendent of New York in reply to an inquiry in reference to these institutions says (Under date of 31st July, 1873):

“““The trust companies of New York are peculiarly situated. Some are under the supervision of the bank department; some are under the control of the Comptroller of the State, but the great majority of them are under no sort of supervision. This class of corporation (meaning the last described) has multiplied rapidly during the last few years. I am not able to furnish a copy of the charter of any of these companies.”””

First Comprehensive Statistics 161

The New York Superintendent's report for 1874 may be said to have constituted the first public showing ever made by a banking department of the aggregate position of a group of trust companies. It was only a forerunner, however, of some most interesting figures soon to be presented by Comptroller of the Currency, John J. Knox, than whom no person in public life has ever contributed more to the completeness of enduring bank statistics.

In the Comptroller's report to Congress for 1875-1876, was set forth the following:

TABLE OF AGGREGATE RESOURCES AND LIABILITIES OF
TRUST AND LOAN COMPANIES

<i>Resources:</i>	<i>1874-1875, 35 "banks"</i>
Loans and discounts.....	\$65,900,174
Overdrafts.....	16,883
United States bonds.....	2,086,842
Other stocks, bonds, etc.....	37,323,062
Due from banks.....	1,837,605
Real estate.....	3,733,357
Other investments.....	2,880,342
Expenses.....	92,894
Cash items.....	5,186,004
Cash—legal—tenders, bank-notes, etc.....	3,833,012
<i>Total</i>	<i>\$122,890,175</i>

162 Story of Trust Companies

Liabilities:

1874-1875,
35 "banks"

Capital stock.....	\$21,854,020
Surplus fund.....	6,967,693
Undivided profits.....	582,867
Dividends unpaid.....	18,921
Deposits.....	85,025,371
Due to banks.....	121,441
Other liabilities.....	8,319,862
<i>Total</i>	<u>\$122,890,175</u>

Accompanying this exhibit the same accounts were shown in detail by States, the aggregates being:

Massachusetts.....	5	"banks".....	\$ 9,933,335
Rhode Island.....	1	"	6,694,862
Connecticut.....	10	"	5,711,438
New York.....	12	"	69,654,948
Pennsylvania.....	7	"	31,795,592
<i>Total</i>			<u>\$122,890,175</u>

In a footnote was added the fact that:

"The financial editor of the *Chicago Tribune* states that the liabilities of five trust companies in the City of Chicago on June 30, 1875, were: Capital \$2,500,000; surplus, \$725,000; deposits, \$5,688,574. But this statement, being unaccompanied by the

resources of these banks could not be made available for the purpose of this report."

It was also explained that in New York State the deposits were inclusive of "\$3,696,344 of money in trust."

The Comptroller discussed the figures of the trust companies with care and explained that:

"among the States from which either no reports were received, or such as could not be utilized, are the great States of Illinois, Ohio, Virginia, Louisiana, Missouri, and many others."

At this point, forty years ago the little story of thirty-five reporting trust companies must have made small reading, in contrast with the Comptroller's showing of other kinds of institutions, of which there were:

2086 National Banks footing for.....	\$1,823,000,000
674 Savings Banks footing for.....	896,000,000
551 State Banks footing for.....	272,000,000

reporting altogether almost three billions of dollars, or about twenty-five times the modest 122 millions of trust company resources.

The Comptroller made no mention of a concern located in the District of Columbia having the title of "Real Estate Loan & Trust Company." This institution seems to have existed in Washington from 1877 to 1880. Its capital was \$100,000, and it issued "real estate bonds secured by deeds of trust" on property as far away as Tennessee. A specimen "bond" is here shown in fac-simile. Readers familiar with the appearance of national bank currency in years gone by will detect a similarity. In fact, the size, form and texture of these "bonds" were all strikingly in keeping with Uncle Sam's own demand bank obligations of the same period.

During the five years following the issuance of the report above described the growth of the companies, as stated by the Comptroller of the Currency, came almost to a standstill. The Rhode Island Hospital Trust Company, which has been previously sketched, continued to appear in the Comptroller's tabulations, but in every other State, between 1876 and 1880, there were decreases in the numbers of the companies and even a slight falling off in the



FIFTY DOLLARS FIFTY

REAL ESTATE BOND

THIS BOND IS SECURED BY

DEED OF TRUST



upon the property described in the annexed deed, situated in the County of *Prince Georges* State of *Maryland*

John Hallman

trustee.

the Real Estate Loan and Trust Company of Washington, D.C. or
bearing the name of the UNITED STATES Fifty Dollars
and not less than the rate of *5* percent per annum until
paid, payable in presentation of this bond to the office of the
due at the office of the Real Estate Loan and Trust Company of Washington, D.C.



50

50

REGISTERED IN THE OFFICE OF THE SECRETARY OF THE TREASURY

Bond issued in 1876 by the Real Estate Loan & Trust Company of Washington, D. C.

A Slowing Down in Activities 165

summaries of their aggregate resources. The items and totals thereof were:

1876.....	38 companies	\$127,646,179
1877.....	39 "	123,612,499
1878.....	35 "	110,843,603
1879.....	32 "	111,809,936
1880.....	30 "	126,869,673

The Federal Comptroller's reports were not, of course, based upon complete information from all State sources, but a searching of current and modern records would make it appear that during the years 1877 and 1878, not a single trust company incorporation was effected in the entire United States.

It seems strange that directly upon the administering of the new law at Albany, and the issuance of some live figures at Washington, there should have been displayed such inactivity among the old concerns, with an utter lack of interest in the formation of new ones. Yet it is a fact that at this period trust company activities hesitated, and the tide of their progress ran at a very low ebb.

CHAPTER XII

1881 TO 1888. INCREASING NUMBERS OF COMPANIES

THE onward march was resumed in the early eighties, new incorporations occurring in many quarters. The next of the very large companies arose in New York City, when on December 1, 1881, the Metropolitan Trust Company of the City of New York opened modest quarters at No. 41 Pine Street.

The first president of the Company was General Thomas Hillhouse, who had been serving as Assistant Treasurer of the United States, with headquarters at the New York Sub-Treasury. General Hillhouse had a notable career as a banker and State and Government official. Previous to assuming his duties at the Sub-Treasury, he had served as Adjutant-General under Governor E. D. Morgan during

the troublous times of the Civil War, and had a term as Comptroller of the State of New York. He had also been a member of the New York State Senate.

The Company at its formation had an authorized capital stock of \$1,000,000 with authority to increase to \$2,000,000. It continued to operate under the smaller capitalization, however, until January 30, 1903, when following the successful termination of a series of important negotiations, the Atlantic Trust Company, which in former years had been one of the strongest of Wall Street institutions, was merged into the Metropolitan Trust Company. In order to bring about this union, the capital stock of the Metropolitan Trust Company was increased to \$2,000,000 and in the merger two shares of Atlantic Trust Company stock were exchanged for one share of Metropolitan Trust Company Stock.

Shortly after its beginnings on Pine Street, the offices of the Metropolitan were moved to No. 17 Nassau Street, on the site of the present Equitable Life Building, and thence a removal occurred afterwards when a change was made

to a more advantageous location in the Mills Building at No. 35 Wall Street. The banking quarters at the latter address were continued until the Company went to its own building at No. 37 Wall Street, in 1888. The location of the offices was once more changed in 1904, to the Atlantic Mutual Insurance Company Building at the corner of Wall and William streets, where they are now maintained.

Upon the retirement of General Hillhouse in 1898, General Brayton Ives was chosen president, and served until 1912, when George C. Van Tuyl, Jr., took office. Mr. Van Tuyl was formerly president of the Albany Trust Company and had been appointed Superintendent of Banks under Governor Dix, in 1911. During his term at the head of the Banking Department, Governor Dix appointed the Van Tuyl Commission which was charged with the responsible duty of revising the State's banking laws.

The growth of total assets of this Company has been steady and consistent. In 1886 there were reported \$5,787,174.20; in 1896, \$10,763,138.50; in 1906, \$35,470,279.90; and in 1916, \$80,584,022.85, while surplus and undivided

profits show an increase of over five millions of dollars from 1896 to date.

In 1883 appeared the Title Guarantee & Trust Company of New York. Its beginnings were on the eighth floor of No. 2 Wall Street, using two hundred feet of floor space.

In a recent magazine article, Clarence H. Kelsey, who has been President of the Company almost from the beginning, says of those early days:

“Our address was all that could be desired, but the elevators stopped running shortly after six o'clock, and if my work required me to return after dinner, I had to climb seven flights of stairs. When I compare these Spartan beginnings with the facilities of the ten story building on Broadway now owned and occupied by us, I am satisfied that we have accomplished the thing we set out to do—to create a business by providing a title-insurance service of a type which would be accepted as indispensable in local real estate transactions.

“When our fight began, we had many hard problems to solve. The Register's office contained deeds, mortgages, and other

real estate instruments covering a period of more than three hundred years. These were recorded chronologically and indexed under the names of the parties to the instruments."

Accordingly, the Company set out to abstract the essential portions of all recorded instruments and to separate and index them according to locality. Antagonism developed from the first on the part of the great law firms which then controlled the real estate conveyancing business, and of the Register and the official searchers who drew large incomes from their plants, and from their personal knowledge of the very confused sets of records which existed in public offices. Years of diplomacy, litigation, and hard work ensued but as time went by the records were copied, indexed, and ready to use. By degrees standard rates were made covering the examination of titles, all searches, and policies of title insurance. These rates were well below the fees previously charged by the law offices. Later the organization was made to cover a business getting department; clients

were furnished with purchase money mortgages to help them complete their purchases; an energetic band of young attorneys was gathered and trained to expertness in the matter of title examination and closing; speed was developed to the point of cutting down the time of examining a title, which before the days of the Company had taken from perhaps thirty to sixty days, so that now the claim is made that the Company can take care of almost any new title in a week or less and of a re-examination in twenty-four hours. Eventually the important business of selling guaranteed mortgages was developed to a degree unequaled by the record of any other similar concern. The Company from the beginning has been a firm believer in publicity. To-day it is without doubt the most widely advertised trust company in the country, using newspaper space, pamphlets, cards in the trolley cars, elevators, and subway trains, and annually distributing 150,000 copies of an attractive calendar. The Company's total resources in 1886 were less than \$800,000. In 1896, they amounted to \$5,877,352.78, and on June 30, 1906, to \$46,675,307.69, while on

the same day ten years later they were reported at \$51,890,767.66.

In 1903, the Company absorbed the Manufacturers Bank of Brooklyn, which is to-day one of the Company's branches. In 1896, the capital stock was \$2,500,000; it is now \$5,000,000. The surplus and undivided profits have grown in the last ten years from less than \$7,000,000 to upwards of \$12,000,000. With about \$33,000,000 of deposits, the Company has recently made the impressive statement that: "For each \$100 of our customers' money, we have in addition more than \$50 of our own."

Philadelphia's leading title company dates from 1885, although the recording system for deeds has existed in Pennsylvania since 1682, when the first act on the subject was passed. Among the acts and laws of the General Assembly of the Province of Pennsylvania, 1714-1715, "being the First Year of the Reign of His present Majesty King George over Great Britain, France and Ireland, etc.," was the Recording Act of May 28, 1715:

“There shall be an office of record in each county of this province, which shall be called and styled the Office for Recording Deeds, and the Recorder shall provide parchment, or good large books of royal or other large paper, well bound and covered, wherein he shall record, in a fair and legible hand, all deeds and conveyances which shall be brought to him for that purpose.”

Other subsequent acts provided that recorded deeds and mortgages should be indexed, and that such entry “shall be notice to all persons.” The above provisions have been continuously carried out to the present day, the only innovation being that the prescribed “fair and legible hand” has been supplanted by the legible typewriter.

It was not until 1874, that the Pennsylvania Legislature authorized, by its general “Corporation Act,” the incorporation of companies for “the insurance of owners of real estate, mortgages, and others interested in real estate, from loss by reason of defective titles, liens, and incumbrances.” Prior to this Act (from 1836 to 1874), a few Philadelphia companies had been

chartered with trust powers, but without title insurance powers.

The first title company chartered under this act was The Real Estate Title Insurance & Trust Company, chartered in 1876. Gradually overcoming the local conservatism and opposition of conveyancers and conveyancers' counsel, the system of insurance of titles made its way by inherent merit, and in 1885, a second company was incorporated, The Land Title & Trust Company.

It began business in 1885, in a rented room at No. 621 Chestnut Street, and within three years erected a large office building at No. 608 Chestnut Street. Within ten years the increase of its business, and the prevision that business would in the future invade the neighborhood of the new City Hall, at Broad and Market Streets, resulted in the purchase by the Company of a new central site at the southwest corner of Broad and Chestnut Streets, and the erection of offices, with ample plant and safe deposit facilities. In 1903, this building was supplemented with an adjoining big brother of twenty-two stories, into the entire first floor of which

the Company's offices have overflowed. That more than 182,250 title policies, and over 155,000 certificates of search have been issued by The Land Title & Trust Company down to August, 1916, is evidence of the extent of the business. The losses by payment of indemnity for defects in title, undiscoverable or undiscovered at the time of issuing the guarantees, while a small percentage, are in the aggregate a multitude.

During the first ten years of the Company's existence, the banking department was somewhat subordinated to that of title insurance, and in 1896, the resources were less than \$4,000,000. In the next decade, however, broadening activities in the former field were evidenced by assets of \$15,226,529.04, and at the time of this writing, \$21,184,939.52 are shown.

To care for this expanding volume of business the original capital of \$1,000,000 was doubled in 1904, and the surplus was gradually increased until it is now \$5,000,000.

The Company has had three presidents, Charles Richardson, August, 1885 to November,

176 Story of Trust Companies

1887; Nathaniel E. Janney, to November, 1891; and William R. Nicholson, serving since that time.

Another important undertaking in the field of title insurance and trust business in New York occurred four years later, in 1887, when the Lawyers Title Insurance Company was organized and, as the name implied, undertook a business of title insurance with lawyers, until 1900, when its scope was extended to cover the entire field of title examination and insurance. The original capital was \$500,000. In 1905, trust company powers were acquired, the Central Realty Bond & Trust Company was absorbed and the name was changed to Lawyers Title Insurance & Trust Company; it so remained until 1915, when upon taking over the Home Trust Company of Brooklyn, the present name, Lawyers Title & Trust Company, was adopted.

The first offices of the Company were located in the old Equitable Building, No. 120 Broadway, and afterwards in larger quarters at No. 37 Liberty Street, from which in 1908 the Company moved to its new building at No.

160 Broadway. There are branch offices at No. 44 Court Street, and No. 188 Montague Street, Brooklyn.

The founder and first president was Edwin W. Coggeshall, who continues to guide the prosperous course of the Company as Chairman of the Board of Directors, having in 1915 been succeeded in the presidency by Louis V. Bright.

The capital stock in 1916 was reported at \$4,000,000; the surplus and undivided profits at \$5,263,000, and the total resources at \$31,135,000. This last figure was a growth of nearly \$12,000,000 during ten years past.

New Jersey had for years been the home of several important trust companies, when in 1887 a new institution appeared in Newark. Its able and progressive management soon gave it a conspicuous position, and for years it has been conceded to be the largest and strongest of such institutions in the State. It began business under the name of the Fidelity Title & Deposit Company which, however, was soon changed to Fidelity Trust Company.

The institution was opened on May 1, 1887, under a charter granted February 14th

of the same year. Its original capital was \$200,000, which has since been increased to \$3,000,000, in addition to which the institution has a surplus of \$2,000,000, and undivided profits of over \$1,000,000. In 1901, its total resources were about \$8,000,000, while at the present time, 1916, the Company reports more than \$30,000,000.

There have been two presidents, the first, Thomas T. Kinney, and the present incumbent, Uzal H. McCarter. During the last ten years, the Fidelity has acquired the following institutions: Newton Trust Company, Newton N. J.; Essex County Trust Company, and its branch, East Orange, N. J.; Union County Trust Company, Elizabeth, N. J.; New Brunswick Trust Company, New Brunswick, N. J.; and Red Bank Trust Company, Red Bank, N. J.

The bid price of the Company's stock in 1906 was 750, and dividends of thirty per cent. were declared. With \$2,000,000 capital, and \$7,500,000 in surplus and undivided profits, the Fidelity's capitalization was readjusted in 1915. After special cash and stock dividends amounting to \$7,500,000 had been declared

and paid, the capital was increased to \$3,000,000, upon which the institution now pays 20 per cent. dividends. This year, 1916, it also paid an extra dividend of 10 per cent. At the present time its new stock is quoted at 450.

Rhode Island's largest trust company was incorporated under the title Industrial Trust Company, on June 9, 1886, and formally opened for business in Providence in August of the following year.

Rooms in Custom House Street were occupied until the completion of permanent quarters in the Exchange Bank Building, Westminster and Exchange Streets and in December, 1887, the Company took possession.

Colonel Samuel P. Colt was the first President, succeeded after twenty years of service, in 1907, by Cyrus P. Brown. Colonel Colt, since 1913, has been Chairman of the Board. In 1912, Colonel H. Martin Brown, the present managing executive became President. The Company has since 1894 occupied its own building, a nine story structure erected partly on the site of the old Atlantic Insurance Building, at Westminster and Exchange Streets. It now

180 Story of Trust Companies

sustains eight branches in adjoining cities and towns.

The original capital of \$500,000 has been increased from time to time and now stands at \$3,000,000, with surplus and undivided profits of \$4,700,000, as against \$326,000 in 1896. The Company's total resources have grown from \$6,416,573 in 1896, and \$50,514,749 in 1906, to \$65,438,423.59 at the present time.

Among some prominent New Yorkers who have served on its directorate may be mentioned Levi P. Morton, James Stillman, George F. Baker, Thomas F. Ryan, Elbridge T. Gerry, and Jacob H. Schiff.

The Franklin Trust Company was organized by the late Abiel Abbot Low and a group of other prominent Brooklyn men, and commenced business at No. 186 Remsen Street, Brooklyn, on August 1, 1888, with a capital of \$500,000, increased a year later to \$1,000,000.

In 1892 the Company moved to the handsome office building which it had erected at the corner of Montague and Clinton Streets, and also established the Franklin Safe Deposit Company which it controls.

In 1904 the control of the Safe Deposit Company of New York was obtained, and a branch of the Trust Company was started over the office of the Safe Deposit Company at No. 140 Broadway. This branch is now located at No. 46 Wall Street.

Besides the main office at No. 166 Montague Street the Trust Company now maintains three Brooklyn branches, one at No. 569 Fulton Street, near Flatbush Avenue, one in the Wallabout Market, and one in the Navy Y. M. C. A. Building on Sands Street, the last having been opened for the convenience of sailors in the United States Navy. In 1911 the Company was elected to full membership in the New York Clearing House Association. The Company has a large individual trust business in Brooklyn and has acted as executor and trustee for many of Brooklyn's prominent citizens.

The institution has always been progressively advertised, and its frequent quoting of the maxims of Benjamin Franklin has been an effective, because humanly interesting, scheme of publicity.

On December 31, 1896, nine years after the

Company's inception, the total resources were \$7,000,000; ten years ago the aggregate was \$18,000,000; on June 30, 1916, the \$25,000,000 mark was passed.

Edwin Packard, was the first President, serving until 1891, when he was succeeded by George H. Southard. In 1908, Arthur King Wood, the present incumbent, was elected.

The mention of Mr. Wood's name is a reminder of another trust company official whose term of service began almost one hundred years ago. This was his great-grandfather, John King, Assistant Secretary of the old Farmers Fire Insurance & Loan Company, in the early twenties of the past century. Later he became the Company's Secretary and labored in that capacity for many years. Mr. King was a strict Quaker; he always objected to having his portrait painted, and no likeness of him is known to exist. About the year 1835 he had a premonition that he was about to die and as the result resigned his office and settled up his affairs, passing away in December of that year, just at the time when the great fire in New York was raging.

CHAPTER XIII

1889 TO 1890. ADDITIONAL NEW COMPANIES

THERE were several important incorporations during the year 1889. In a description of these, two immense institutions of the present day make their entry into our story; one in New York, the other in Pittsburgh.

In that year the New York Trust Company began business under the title of New York Security & Trust Company.

The offices were at No. 46 Wall Street, when, in 1904, the Continental Trust Company of the City of New York was absorbed. This latter institution, whose President was Otto T. Bannard, had, at the time of the merger, total resources of over \$20,000,000, its share capital being \$1,000,000.

The New York Security & Trust Company's President, in 1904, was Charles S. Fairchild

who had formerly held the high office of Secretary of the Treasury under President Cleveland. At this time the total resources were \$35,000,000. The enlarged Company had \$3,000,000 of capital stock thereafter and Mr. Bannard became the President. The commodious offices of the former Continental Trust Company at No. 26 Broad Street were then chosen as the home of the merged institutions.

In 1906, two years after the events described above, the New York Trust Company had assets of \$59,730,496.58, and the surplus and undivided profits were \$10,552,011.16. In 1916 the totals were \$94,457,922.23 and \$11,372,284.16 respectively.

Mortimer N. Buckner is now President of the Company, having been elected in January, 1916.

Twenty-seven years ago a group of Pittsburgh men, headed by A. W. Mellon, subscribed \$125,000 of trust company capital and opened an institution for business in the Fidelity Building, No. 121 Fourth Avenue. Two years later the capital was doubled, but by 1896 the aggregate of capital, surplus, and deposits of

the young institution, known as the Union Trust Company of Pittsburgh, was less than half a million of dollars. Where, unless in a city of such achievements as that in which this enterprise began, would it be expected to find at the end of twenty years an accumulation of more than two hundred times the amount of wealth reported after seven years of initial operations? For the Union Trust Company, on June 30, 1916, was one of eleven concerns in the country having over one hundred millions of dollars of resources.

Upon its directorate are such well-known names as those of Henry C. Frick and Philander C. Knox.

With the tremendous growth of Pittsburgh's industries, the Company has thrived and enlarged during all the years, its one hundred and one millions of dollars of resources being about double the sum reported ten years ago, and representing at the present time over one seventh of the total bank and trust company resources of Pittsburgh. The present capital stock is \$1,500,000, the surplus and undivided profits \$34,000,000.

The shares are one hundred dollars par, their present book value about \$2375 each, and the market quotation much higher. The various dividends paid during the past year, down to June 30, 1916, have amounted in the aggregate to 146 per cent. upon the capital.

The Company's offices at this writing are at No. 335 Fourth Avenue, where since 1900 H. C. McEldowney has been President, having at that time succeeded J. S. McKean.

Back in 1889, when Los Angeles was a city of fifty thousand inhabitants, the Security Trust & Savings Bank was started upon an eventful career. Its organizers subscribed to \$29,000 of capital and established headquarters for the new project in one small room in the Wiel Building at No. 148 South Main Street. The bank was organized by J. F. Sartori who still directs its affairs as President; M. S. Hellman, Vice-President, and W. D. Longyear, Cashier, became affiliated with the institution soon after its organization. In 1896, under the name of the Security Savings Bank, the office was moved to the corner of Main and Second Streets, with an enlargement of these quarters

following in two years. Its remarkable growth was partly due to the great progress of the West about this time. By 1900 the resources were \$2,000,000, in 1902 almost \$4,000,000, and in 1904 over \$10,000,000.

One of the factors in the institution's growth was its absorptions of various other concerns. In 1904 the Main Street Savings Bank was acquired, it having been started the same year as the Security. Along with a change to the Hellman Building in the same year, came the absorption of the Los Angeles Savings Bank, founded in 1887. At the time of the 1907 panic the Security took over the interests of the Southern California Savings Bank, a large institution founded in 1885, and in the following December another change in location was made to the corner of Fifth and Spring Streets. A further acquisition was made in 1912 when it took over the Equitable Savings Bank, the founders of which were W. J. Washburn and Willis Booth. Shortly afterward the Southern Trust Company was acquired, and the institution from this period may be said to have entered upon a trust company business in the fullest sense.

188 Story of Trust Companies

The reports of 1909 showed resources of \$20,000,000 and 48,000 deposit accounts. On June 30, 1916, the capital was \$1,800,000, the surplus and undivided profits \$2,045,000, the entire balance sheet showing an aggregate of assets of \$51,000,000, making it, in this respect, the strongest concern engaged in trust company business west of Chicago.

One of Chicago's leading institutions, the American Trust & Savings Bank, organized in 1889, for a time having as its President G. B. Shaw, and later Edwin A. Potter, was taken over by the stockholders of the Continental National Bank in August, 1909. Under the arrangement then effected, all of the stock was acquired by the stockholders of the Continental & Commercial National Bank, and the title changed to Continental & Commercial Trust & Savings Bank. The institution is allied with the present great Continental & Commercial National Bank of Chicago, both companies being presided over by George M. Reynolds as President. The concern is fourth in point of size among trust companies in the Central West. It occupies quarters in the

New England's "Foremost" 189

Continental & Commercial Bank Building at No. 208 South La Salle Street, and reported, on June 30, 1916, \$3,000,000 capital, \$2,114,000, of surplus and undivided profits, and \$50,845,000 of total resources.

We come now to the story of New England's foremost trust company development. This bears the name of the Old Colony Trust Company of Boston. On the 14th of June, 1890, it began a business destined to become the largest of its kind in New England. The story of that first day's transactions as carried on in a small back office at No. 50 State Street was graphically told in a sketch published by the Company twenty-five years later. This is how it reads:

"Business was not particularly brisk, and when the closing hour arrived the customers of the youngest banking institution in Boston numbered two, both of whom were officers of the company. The office force consisted of three, Messrs. T. Jefferson Coolidge, Jr., Charles S. Tuckerman, and George E. Stickney, assisted by an office boy, name unknown, who vanished before the

day ended. Mr. Tuckerman was the first depositor, opening an account for himself and another as trustee. The third and final deposit for the day was made by Mr. Coolidge. Thus it was sort of a family affair—that first day's business—and it offered no suggestion of the surprising change which the ledgers were to reveal after twenty-five years: open accounts, 32,625; customers resident in forty-three out of forty-eight States, in Hawaii, Porto Rico, and the Philippines, and also in Canada, Mexico, the West Indies, Central America, South America, England, France, Switzerland, Italy, Germany, Syria, China, Japan, and Australia; resources more than one hundred millions of dollars; fifth largest trust company in America."

In 1892 the Company removed to the Ames Building at the corner of Washington and Court Streets. Until that time accounts were added slowly; in fact, a year later, the record of customers' accounts was being kept in a book of two hundred pages having spaces for only 2400 names. In 1902 the Temple Place branch was opened, and in 1909 the site at No. 17 Court Street was purchased, and the Company's

present home erected thereon, being first occupied in December of that year.

The Company grew without consolidation until its deposits were in excess of \$40,000,000 in 1910. In this latter year it was consolidated with the City Trust Company and its deposits increased to approximately \$75,000,000. In 1914 the Bay State Trust Company with about \$6,500,000 of deposits was consolidated into the Old Colony Trust Company. This former company had long been controlled by stock ownership, and through this consolidation the Old Colony Trust Company acquired a second branch office on Boylston Street.

In 1903 Gordon Abbott succeeded Mr. Coolidge as President and served until 1910 when Philip Stockton, the present incumbent, was chosen at the time of the consolidation with the City Trust Company. In 1913 Mr. Abbott became Chairman of the Board and Francis R. Hart, Vice-President, was made Vice-Chairman.

The story of the growth of this huge concern, as expressed in figures, contrasts strikingly with the piquant account of that "first day," and is

of more than passing significance. In 1896 the Company had total resources of \$11,772,302.74 and capital of \$1,000,000. By 1906 the total resources were \$40,019,005.63 and the capital stock had been increased to \$1,500,000, while the surplus and undivided profits were over \$5,500,000.

During the past ten years, within which time most of the mergers referred to were consummated, the capital stock has been further increased to \$6,000,000. The surplus and undivided profits on June 30, 1916, were \$6,932,062.29, the deposits \$126,820,621.31, and the total resources, as of the same date, \$140,-235,869.34, making the Old Colony now the sixth largest trust company in America.

Of trust institutions in St. Louis which have endured down to this time, the Mississippi Valley Trust Company is one of the oldest. It was incorporated under the laws of Missouri in 1890 when St. Louis was a city of 460,000 people; to-day there are 800,000. Then only two bridges spanned the Mississippi River where now there are four, and in this space of twenty-six years the city's banks have

doubled in number while their wealth has been increased sixfold. Six years after the Company was established, its total resources were reported at a little more than \$4,600,000. The precise total in June, 1906, was \$25,647,603.53; in June, 1916, the figure was \$30,002,168.57.

Its first President, Julius S. Walsh, is now Chairman of the Board of Directors, having been succeeded in the presidency by Breckinridge Jones, the Company's first Secretary. The Company is located at the northwest corner of Fourth and Pine streets where the regular appointments incidental to banking and trust company business are maintained, including a real estate, a bond, a farm loan, and a safe deposit department. The first office was in a single room on the third floor of the old Laclede Building. After a year the Company moved to No. 303 North Fourth Street, expecting to occupy those quarters for some time, but the rapid growth of the business soon necessitated another change and the fine white stone building it now occupies was erected.

The capital stock, originally \$1,300,000, has

been increased at intervals and now stands at \$3,000,000, while surplus and undivided profits of over half a million of dollars in 1896 are reported at \$5,307,470.16 for 1916.

The Company has had the administration of some very large trust estates. Four of these, amounting in each case to upwards of a million dollars, are in the names of the late James T. Drummond, tobacconist, Eugene F. Williams, shoe manufacturer, and Charles Clark and Auguste B. Ewing, capitalists.

Among numerous enterprising features of management should be mentioned a bi-monthly periodical entitled *Service* addressed to "those who are, and those who might be, patrons of the Mississippi Valley Trust Company." The Company's steady growth has been that of a single institution without absorption of, or consolidation with, any other corporation.

CHAPTER XIV

1891 TO 1900. THE LARGEST TRUST COMPANY OF PRESENT TIMES AND SOME LATER ORGANIZATIONS

WE come now to the recounting of some achievements by a single trust company during the past quarter century, the scope and volume of which have been upon an unrivaled scale.

This is the story of the Guaranty Trust Company of New York, a comparatively young concern, yet now the largest trust company in America. The institution, like some others in the earlier years, sprang from an older corporation with fiduciary powers of a very different character from those embraced in trust operations. This forerunner was the New York Guaranty & Indemnity Company, dating back to 1864. From then until 1891 a business in guarantees was transacted in line with the

title, but in limited proportions. The accompanying illustration shows the old Company's home in Broad Street adjoining the former Stock Exchange.

About 1890 it occurred to the minds of a group of prominent New York financiers that there would be possibilities in a plan of broadening out into a regular trust business, including the receiving of deposits. This was permissible under its charter, the Company always having been under the supervision of the State Banking Department. In 1891, the capital was increased from \$100,000 to \$2,000,000, with a paid-in surplus of \$500,000. The institution then began business as a full-fledged trust company at No. 59 Cedar Street, in the Mutual Life Building. This was under the presidency of Edwin Packard, who was succeeded by Walter G. Oakman in 1894. Two years later the title was shortened to read Guaranty Trust Company of New York. John W. Castles succeeded Mr. Oakman in 1900, and Alexander J. Hemphill became President in 1908. The last named is now Chairman of the Board, Charles H. Sabin having succeeded to the presidency in 1913.

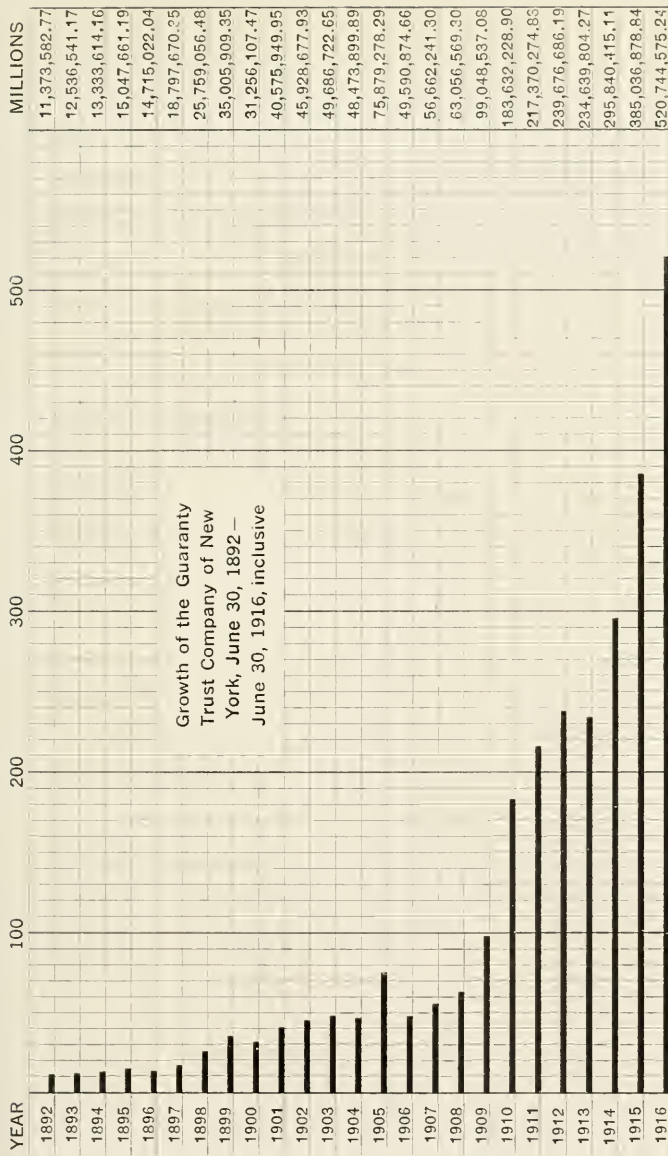
The directorate of the Company from the first has been made up of names synonymous with great things in the financial world. During the early years the Board comprised, among others, George F. Baker, August Belmont, Edward H. Harriman, Levi P. Morton, Alexander E. Orr, and Frederick W. Vanderbilt. In 1910, the Morton Trust Company and the Fifth Avenue Trust Company, each of them old-established institutions, were merged with the Guaranty, and in 1912 the Standard Trust Company, another representative institution, was absorbed.

The growth of the Company soon necessitated increased office space on the first floor of the Mutual Life Building, but these quarters were shortly outgrown and in 1913 a new building was erected and occupied at No. 140 Broadway, corner of Liberty Street. It is one of the most impressive bank buildings in the world, containing every known appliance to facilitate work and to insure the comfort of customers and employees. In its modern vaults repose some billions of dollars' worth of holdings in trust. Pneumatic tubes give instant communi-

cation between different parts of the building, which contains over eight hundred employees. On the upper floors there are conference rooms for the use of visitors and customers, and these afford transient headquarters for out-of-town guests. There is also maintained one of the most comprehensive business and financial libraries in the country.

The spirit of co-operation and companionship is highly developed among Guaranty Trust Company officers and employees, whether at work or at play. There are efficiency prizes, a debating society, and bowling and baseball teams belonging to the trust company leagues. Outings occur each summer and in winter the Guaranty Club holds banquets. There is a liberal pension system administered by an official board of managers appointed by the Board of Directors.

The Guaranty Company's uptown office has been at Fifth Avenue and Forty-third Street in offices formerly occupied by the Fifth Avenue Trust Company. In the fall of 1916 it moved into new quarters directly across the street on the southeast corner, occupying



four floors of an impressive new building. Another up-town office is being built at Madison Avenue and Sixtieth Street. There is an office in London and there are resident representatives in Paris and Buenos Aires.

The capital was increased to \$5,000,000 in 1910, again to \$10,000,000 in 1912, and on November 8, 1915, was brought up to a total of \$20,000,000. There is upwards of \$20,000,000. of surplus and undivided profits at the present time, and with over half a billion of total resources, deposits in the neighborhood of \$400,000,000, and a foreign department transacting an annual business of approximately six billions and a half of dollars, the institution stands to-day first among trust companies and is exceeded in size by only one bank, the National City. The growth of the Company in aggregate resources, during the past twenty-five years, is graphically shown on the opposite page.

Some appreciation of what the Guaranty Trust Company's present \$520,000,000 of total resources and liabilities signify is to be had when a country-wide glance is taken backwards

to a point twenty years ago. The *Bankers Encyclopedia* of 1896 contained a reasonably complete showing of trust company figures even though these were unofficial. A tabulation shows that there were then forty-one companies in New York State having liabilities of 387 millions of dollars. The aggregate for Pennsylvania's eighty-two companies was 183 millions. These 123 companies in the two leading States, as regards trust company development, amounted at that time to but 50 millions of dollars more than the total now shown by this one New York company. The tabulated totals for 509 American companies showed capital 152 millions, surplus and undivided profits 96 millions, deposits 709 millions, grand total 957 millions, a sum equal to just 184 per cent. of the Guaranty's 520 millions, as shown in 1916.

The assertion has been recently and authoritatively made that the "turnover" of this great institution,—its aggregate of funds annually handled, including securities and foreign exchange—is greater than that of any other banking corporation in the world.

A few words should here be said regarding the financial crisis of 1893. Early in that year a country-wide business disturbance occurred. There was a series of distressing railroad failures, including the Erie, Reading, Northern Pacific, Union Pacific, and Atchison. In New York the deposits of the Clearing House banks fell from 431 millions of dollars to 370 millions in less than three months. During August a premium was demanded everywhere upon all kinds of currency. The business collapses of the year numbered over fifteen thousand. Among these were 598 financial institutions made up of National, State, and savings banks, private bankers and loan and trust companies. But a remarkable thing to be noted regarding the banking troubles of 1893 was the stability of the loan and trust companies. For if any proof were needed that by now these trust institutions had established themselves on a firm foundation, and had come to stay, it is to be seen in the insignificance of the number of suspensions, which out of 598 banking failures of all kinds amounted to only 14. It is a fact, too, that almost without exception the

companies to close were small concerns, as a rule located in unimportant fields.

The United States Mortgage Company, established in 1871, first undertook a trust and deposit business in January, 1893. Among the names of the incorporators are found those of J. Pierpont Morgan, Abiel A. Low, Charles G. Landon, David Dows, and other men who were large factors in the financial and business life of the city, state, and nation. In common with the Guaranty Trust Company, its expansion was promoted by Mutual Life interests. After two years of operations under the old title its name was altered in 1895 to United States Mortgage & Trust Company. The "Mortgage Company," as it has been familiarly known, has continued to carry a large line of conservative real-estate loans, placed mostly in the larger cities of the West and South. Charles R. Henderson was the first President, and the order of succession has been: George W. Young, 1894; George M. Cumming, 1905; Arthur Turnbull, 1908; Cornelius C. Cuyler, 1909; and John W. Platten, since 1910.

The "Mortgage" Company 203

The capital prior to 1893 was \$1,000,000. Since that time it has been \$2,000,000.

In 1903, the writer of the present volume, who was at that time Treasurer of the Company, recommended to its Board a plan of annually publishing a book of trust company statements. These figures, with other data and the names of the officers and directors of all American companies, first appeared as of June 30th that year. The idea has been availed of every summer since under the title, "Trust Companies of the United States." Each issue has been presented to the financial public as complimentary on the part of the "Mortgage Company." The collected volumes form a substantial compendium of facts and statistics, covering thirteen years past, the usefulness of which in preparing this work is gratefully acknowledged.

The present strength of the Company has been gained through a gradual and steady accretion of business without mergers or consolidations of any kind; while thoroughness, dependability, and trustworthiness have characterized the administration of its affairs.

Twenty years ago the Company's total resources were \$13,000,000; ten years ago they were \$49,000,000; in 1916, they reached the one hundred million mark, making it one of the eleven trust companies in the country having total resources of this amount, or upwards.

The United States Mortgage & Trust Company's main offices have always been in Cedar Street, in the Mutual Life Building. There are two uptown branches.

There are a number of important trust companies on the Pacific Coast to-day, and of the very large ones the Union Trust Company of San Francisco is the oldest. It was established in 1893 under Isaias W. Hellman, as President, who continued in that office until 1916, when he became Chairman of the Board and was succeeded, as President, by his son, I. W. Hellman, Jr. Three years after this organization was effected, the Company had \$750,000 capital, \$100,000 of surplus, and a shade less than \$3,000,000 of total resources. The capital to-day is \$1,200,000; the surplus is \$1,847,000; the total resources are, approximately, \$30,000,000.



The old Sugar House and Middle Dutch Reformed Church (occupied as Post Office 1845-1877), Nassau and Liberty Streets, New York, 1830. Site of the Mutual Life Building and home of the United States Mortgage & Trust Company.

The offices in the early years were at the junction of Post, Montgomery, and Market Streets. Since 1911 the Company has been at the intersection of Market and O'Farrell Streets and Grant Avenue.

The par of shares of stock is \$1000 each, and these are now quoted at \$2350 per share.

The Cleveland Trust Company was organized in 1894 and began its career in a small room on the ninth floor of the Garfield Building with a capital of \$500,000 and a paid-in surplus of \$100,000 and no deposits. In the face of all kinds of impediments it went to work and after the lapse of half a year the secretary reported deposits of \$62,000 and a trust business that consisted of the certifying of an issue of bonds.

On September 10, 1895, the Company moved into the basement of the Garfield Building where it had purchased the vaults of the recently organized Security Safe Deposit & Trust Company, the latter going out of business and the Cleveland Trust Company taking its place and equipment. From this point the progress of the institution has been unchecked. Before the close of 1896 the deposits

passed the million-dollar mark. Inside of two years additional space was required and a ground-floor office was rented.

On January 6, 1903 a consolidation was effected with the Western Reserve Company, which brought the capital of the Cleveland Trust Company up to \$1,750,000 and the surplus to \$1,050,000. J. G. W. Cowles was President until 1903. Calvary Morris succeeded Mr. Cowles and retained the presidency until 1908. He was followed by Frederick H. Goff, who is President at this time.

The Cleveland Trust Company has absorbed a number of other trust companies and banks in and near Cleveland during the past twenty-one years, many of these institutions having formed the basis of the present system of Cleveland Trust Company branches.

The branch bank idea is only one of the number of innovations for which the Cleveland Trust Company is noted. It was the first bank to adopt advertising as a direct influence for the increase of its business. It was the first bank to advertise nationally for savings deposits by mail. It was the first bank in

Cleveland to have a separate department for women, and it was also the pioneer in the establishment of a number of distinctive policies for the greater safeguard of its depositors' and, in general, of its patrons' interests.

Four fundamental principles, widely announced as characterizing the Cleveland Trust Company, are:

1. No loans to directors or officers;
2. Joint control of securities and cash;
3. Continuous daily audit; and
4. Directors who direct,

all of these policies having been fully consummated during Mr. Goff's presidency.

Starting with four employees in an up-stairs room, smaller than any of its present branches, the Cleveland Trust Company now has nearly four hundred employees, a monumental office building at the corner of Euclid Avenue and East Ninth Street, a five-story annex to the main building, and fifteen branches in addition to the main building. It serves a geographical territory of about sixty miles in length and twenty miles wide. It has over 122,000 accounts; the present capital and surplus is more

than \$5,200,000, and its total resources on June 30, 1916, were \$49,071,447.24.

In addition to its phenomenal growth and its unimpeachable stability as a savings bank, it has made great progress in its trust and estates departments. It has perfected a number of unusual types of trust agreements among which may be mentioned the "Living Trust" agreement. It is also trustee for the funds and estates brought together under the denomination of the Cleveland Foundation, which is a community trust, comprising a union of gifts from different estates or parts of estates contributed by the people of Cleveland and managed for them for the benefit of the community. This plan, originated by Mr. Goff, is now nearly two years old and has been copied in no less than thirteen other American cities.

Mention is next to be made of a great southern institution, organized as a trust company in New Orleans in 1895. This was the year in which the Canal Bank & Trust Company acquired the assets of the old Canal Bank. Nine years later the Louisiana National Bank was also absorbed.

Canal Bank & Trust Company 209

The story of the Canal Bank dates back to 1831, when, as the first of a series of what were then known as improvement banks, it secured a charter for the purpose of financing the construction of a navigation canal connecting the then American port of the City of New Orleans, Faubourg St. Mary, with Lake Pontchartrain. Under this charter extensive banking privileges were allowed, and during the vicissitudes of over eighty-five years, the Bank has always served the community, remaining open during the three wars and numerous panics that have intervened, and is to-day occupying its own ten-story building located within a hundred-yard radius of the sites of the four banking houses which it has erected and outgrown during the three generations of its existence.

Accordingly this modern trust company makes the proud claim of being the oldest institution amongst more than ten thousand banking corporations in the Mississippi Valley. In 1904 R. M. Walmsley, who had been President of the Louisiana National Bank, assumed the same title in the trust company. The combined assets of the two institutions were then

a matter of about \$11,000,000. In 1916, with capital of \$2,000,000 and surplus and undivided profits of \$636,000, the total resources and liabilities have grown to an aggregate of \$19,400,000. W. R. Irby acts as President at this time, and W. P. Burke is Chairman of the Board of Directors. The Company's building is attractively located at Camp and Gravier Streets.

One St. Louis trust company, the Mercantile, had its beginning in a real-estate office on the first floor of the Columbia Building in that city. This was in 1899 and one clerk acted as Paying, Receiving, Discount, and Note Teller, answering the telephone and helping with the correspondence. On that day, seventeen years ago, Festus J. Wade, then and now the President, witnessed deposits with the Company of about \$17,000. In the meantime he has seen the Company expand to an institution with over \$40,000,000 total resources. The Mercantile now has a capital of \$3,000,000 and \$6,800,000 of surplus and undivided profits. The Company has eleven departments including a department with safe-deposit vault ca-

capacity of seventeen thousand boxes. The Corporation Department, although comparatively recently organized, has charge of over fifty corporations, many representing very large St. Louis interests in the field of incorporated estates, realty and similar operations, and which leave to the Trust Company the entire management of their affairs.

The Real Estate Department, instituted some years ago, when the Anderson Wade Realty Company was absorbed, is responsible as agent for the erection and financing of many prominent buildings in St. Louis, including the Jefferson Hotel, the Planters' Hotel, the Hargardine McKittrick, the Grand Leader, Union Electric Light Buildings, Jefferson Theatre, and other business structures. The Mercantile also has a Foreign Exchange Department which had its inception at the time of the World's Fair at St. Louis, and it issues its own travelers' checks.

In 1904 the Mercantile Trust Company acquired the goodwill and assets of the American Central Trust Company. In the same year an alarming run occurred in St. Louis and,

with disconcerted customers clamoring at the doors, a quick remedy had to be provided. The directors met and created a joint pledge of their personal fortunes, estimated as worth about fifty millions of dollars. Very naturally the run subsided as quickly as it had begun.

The Mercantile Trust Company is a member of the Federal Reserve Bank and is the only trust company in the eighth federal reserve district having membership in this system. The Mercantile was the first trust company in St. Louis to join the St. Louis Clearing House Association, and was for a number of years the only trust company member. The institution is under the supervision of four governing bodies, the only institution in St. Louis so supervised. These are the Federal Reserve Bank, the State Bank Department of Missouri, the State Bank Department of Illinois, and the St. Louis Clearing House.

The Company has had many large trusts, a comparatively recent one being that under the will of James Campbell of St. Louis. This estate of nearly twenty millions of dollars is being administered by the Company for the

benefit of the wife and daughter during their lifetime, after which the entire trust estate goes to the St. Louis University.

The Mercantile National Bank is affiliated with the Mercantile Trust Company, both being under the same management. The capital of the Mercantile National Bank is \$1,500,000, the surplus and undivided profits over half a million dollars, and total resources over nine million dollars.

The Mercantile Trust Company has occupied the very attractive building at Eighth and Locust Streets, adjoining the Mercantile National Bank building, for a period of over fourteen years. An addition will shortly be built, and will occupy the half block north of the present building.

A final word is to be said regarding nineteenth century incorporations, on behalf of the Commercial Trust Company of New Jersey, established in 1900. It is located at No. 15 Exchange Place, Jersey City and has been under the management of John W. Hardenbergh since its beginning. Having absorbed the Third National Bank of Jersey City in 1915, this

institution has a number of prominent New York names represented on its directorate, and the trustworthy nature of its operations is well illustrated by the following figures showing growth:

	<i>1903</i>	<i>1906</i>	<i>1916</i>
Capital	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00
Surplus	1,851,256.27	2,197,460.27	2,517,249.54
Total Resources	11,025,312.84	12,523,886.78	25,082,369.83

CHAPTER XV

NEW COMPANIES IN THE TWENTIETH CENTURY

THE early years of the twentieth century were marked by ever increasing numbers of new organizations in the trust company field. For example, during 1903 there were 373 new companies established throughout the country. Of these nearly one hundred were in Pennsylvania; more than twenty were in Pittsburgh; New York City had an increase of fifteen, not including six in Brooklyn; the single State of Texas reported eighteen new companies.

During the next few years, until 1907, there was continued activity in forming new companies. In a chart prepared by Clay Herrick, of Cleveland, being one of his many excellent contributions to the literature of the companies, it has been shown that during that year no less than 150 new companies came into being.

In March, 1904, a distinct departure was announced in the field of trust company literature. In that month appeared the first number of a monthly magazine of which the *New York Press* remarked under date of March 15th:

“*Trust Companies* is a new monthly publication which enters a hitherto unoccupied territory in the field of journalistic enterprise. There are half a hundred periodicals devoted to news of the banks, but by some accident the news of the trust companies has been neglected. . . . *Trust Companies* should enjoy great success. In fact, the first number shows that its success has begun.”

The editor and publisher of this enterprising periodical was Christian A. Luhnnow, who had been previously associated with the editorial force of the *New York Commercial*. His magazine was well received from the first, and continues to-day to be an authority both as to news and the best thought regarding institutional practice and progress.

Returning now to the individual narratives of companies formed since 1900, a new development of 1902 is to be recorded. The Equitable

Trust Company of New York had been established in 1871 by a special act of the Legislature, under the name of the Traders' Deposit Company. This was changed in 1895 to the American Deposit & Loan Company. The principal business of the Company from that time until 1902 was that of making loans on life-insurance policies. The Company's affairs were managed largely by interests identified with the Equitable Life Assurance Society, the owner of a controlling stock interest. In 1902 the name was changed to the Equitable Trust Company of New York, and its field of activity was extended to include all banking and trust functions. The Bowling Green Trust Company was absorbed in 1909 and the Trust Company of America in 1912, the latter having itself previously taken over the Colonial Trust Company, the North American Trust Company, and the City Trust Company.

As a result of the insurance investigations in 1905, and the legislation which soon followed, it became necessary for the Equitable Life Assurance Society to dispose of its stock investments. At that time President Alvin W.

Krech bought the entire Equitable Life holdings and distributed them to a number of influential interests. By this distribution the Equitable Trust Company of New York was made an entirely independent company—that is to say, not controlled by any single interest, or number of interests, to be identified or classed as particular financial groups.

Under President Krech, the Equitable has grown to remarkable proportions. Its capital is \$3,000,000; its present surplus and undivided profits are over \$10,000,000. The Company's balance sheet of ten years ago footed about \$55,000,000, as compared with an aggregate of over \$170,000,000 on June 30, 1916, thus making the Company fifth in size in New York City as well as the United States. The increase of the business of the Trust Department has kept pace with the deposits, and the Company now holds securities for account of others, or under its trusts, aggregating more than \$1,250,000,000 of face value. Its Foreign Exchange Department has grown with remarkable rapidity and ranks third in the city for annual turnover during 1915.

Prior to 1912 the offices of the Company were at No. 15 Nassau Street, from which location it was driven by the Equitable Building fire in January of that year. The Company's business was not even halted by this serious conflagration. Through the good offices of its depository banks, the tellers of the Equitable Trust met that day's checks on schedule time and the Company was established and doing business in temporary quarters at No. 115 Broadway before noon. It now occupies its own building at No. 37 Wall Street and the banking floor in the connecting building at No. 43 Exchange Place. Its New York branches are located at No. 618 Fifth Avenue and No. 222 Broadway, the latter having been the home of the former Colonial Trust Company. Branches are also maintained in London and Paris.

The Empire State Trust Company, later known as the Empire Trust Company, was established in 1902. The first office of the Company was at No. 88 Wall Street. After 1904 its location was changed to No. 42 Broadway where it continued until 1915 when the Company occupied a beautiful suite of offices

in the new Equitable Building, No. 120 Broadway.

In 1913 two smaller trust companies were acquired, namely the Windsor and Guardian.

The President is LeRoy W. Baldwin under whose management the Company has grown from seven millions of dollars of total resources in 1906 to an aggregate in 1916 of \$44,160,947.42. The original capital was \$500,000, subsequently increased to \$1,500,000.

The Central Trust Company of Illinois is a splendid illustration of modern banking growth in the great city of Chicago. Formed in 1902 with four millions of dollars of capital and one million of surplus, it reported one year later \$200,000 of undivided profits and nearly \$6,500,000 of deposits. By 1916 the capital was \$4,500,000, the surplus and undivided profits \$1,750,000, and the total of these and other liabilities \$56,558,000.

The President of the Company from the beginning has been Charles G. Dawes, formerly Comptroller of the Currency at Washington.

The offices since 1910 have been at No. 125 West Monroe Street. One year after this date

the Company absorbed the Metropolitan Trust & Savings Bank. This was an institution in the five-million-dollar class at the time of its acquirement.

An important company was established in Chicago in December, 1903, under the title of the First Trust & Savings Bank, the stock being owned by the stockholders of the First National Bank of Chicago. James B. Forgan acted as President of both institutions until 1915, when Emile K. Boisot assumed that title, upon Mr. Forgan's election as Chairman of the Board.

The First Trust & Savings Bank began business originally at No. 111 West Monroe Street, on the first floor of the First National Bank building, and now occupies the entire ground floor of that building. The original capital was \$1,000,000 which has since been increased to \$5,000,000. The present surplus and undivided profits amount to \$5,400,000.

The great growth of the institution, since its first statement appeared in 1904, is to be seen by a comparison of the figures in that year with those of 1906 and 1916. As of June 30th, in each of the three years the total figures were

222 Story of Trust Companies

\$11,186,982.73, \$30,854,781.21 and \$84,730,-256.98 respectively. This growth has occurred without the absorption of any other institution.

The Bankers Trust Company opened its doors for business on March 31, 1903, at No. 143 Liberty Street, New York. Press notices of that date stated:

“Since the news was first given out after the formation of this new financial institution, its plans have developed rapidly, and its success, judging from comments in banking circles, is already beyond dispute.”

The reporter who wrote those lines was a good prophet; the Company's history has justified the prophecy. Beginning with a capital of \$1,000,000, which was twenty times oversubscribed, and a surplus of over \$500,000, the Company has had a vigorous and consistent growth, and on June 30, 1916, thirteen years after its organization, its statement showed capital \$10,000,000, surplus and undivided profits \$15,498,791.32, and total resources \$292,078,527.26.

The Company grew out of the idea held by

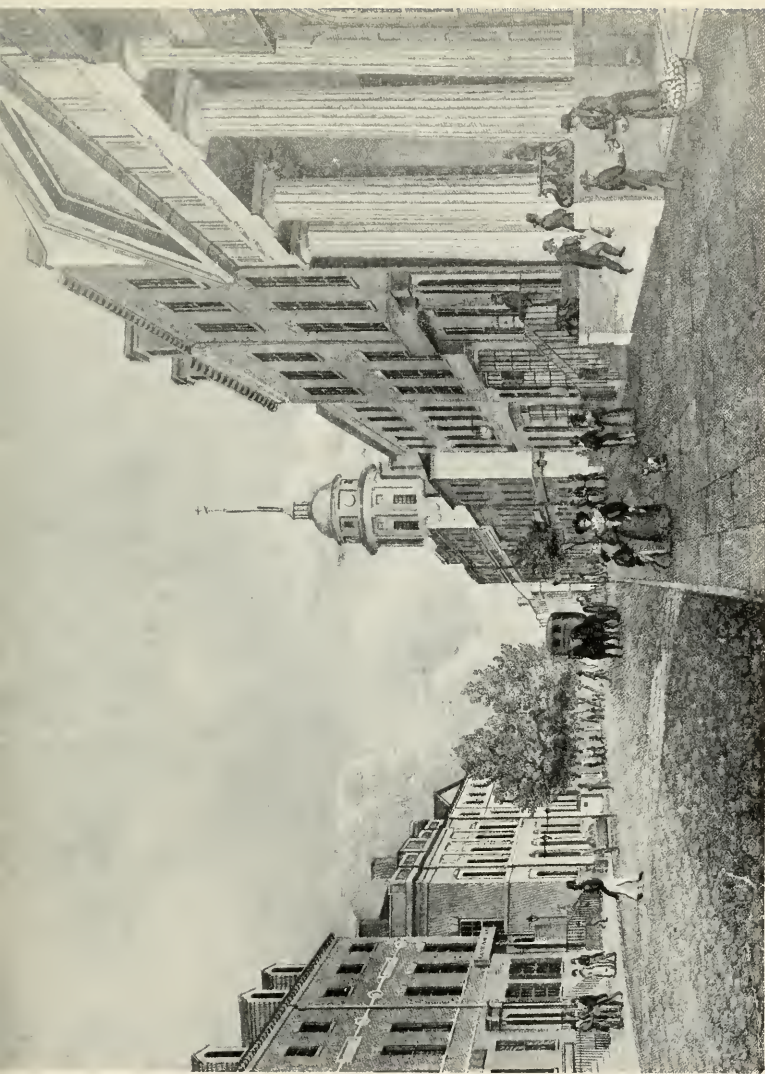
a number of prominent bankers who were accustomed to dealing with one another, that there was room for a trust company which could take care of business which came within the knowledge of those bankers in the regular course of business, but which they could not accept at their own institutions because of the limitations of their charters. That the institution would be substantial from the outset was to be seen from the list of original directors whose names and corporate connections are here appended:

Stephen Baker, President, Bank of the Manhattan Co., N. Y.; Samuel G. Bayne, President, Seaboard National Bank, N. Y.; James G. Cannon, Vice-President, Fourth National Bank, N. Y.; Edmund C. Converse, President, Liberty National Bank, N. Y.; Henry P. Davison, Vice-President, First National Bank of New York; James H. Eckels, President, Commercial National Bank, Chicago; Granville W. Garth, President, Mechanics' National Bank, N. Y.; A. Barton Hepburn, Vice-President, Chase National Bank, N. Y.; William Logan, Cashier, Hanover National Bank, N. Y.; Edgar L.

Marston, Blair & Co., Bankers, N. Y.; Gates W. McGarrah, President, Leather Manufacturers National Bank, N. Y.; William H. Porter, Vice-President, Chemical National Bank, N. Y.; George W. Perkins, J. P. Morgan & Co., Bankers, N. Y.; Daniel G. Reid, Vice-President, Liberty National Bank, N. Y.; Edward F. Swinney, President, First National Bank, Kansas City; Francis H. Skelding, Cashier, First National Bank, Pittsburgh; John F. Thompson, Vice-President, Bankers Trust Co.; Albert H. Wiggin, Vice-President, National Park Bank, N. Y.; Samuel Woolverton, President, Gallatin National Bank, N. Y.; Robert Winsor, Kidder, Peabody & Co., Boston; and Edward F. C. Young, President, First National Bank, Jersey City, N. J.

The rise in total resources between the dates June 30, 1903, and September 7, 1905, was, in the order of progression:

June 30, 1903.....	\$ 5,748,174.87
December 31, 1903.....	10,085,557.31
June 30, 1904.....	15,304,064.48
December 31, 1904.....	18,497,504.50
June 7, 1905.....	24,899,785.18
September 7, 1905.....	25,436,229.50



Wall Street, about 1834, looking east from a point opposite the site of the present Bankers Trust Company Building. Merchants' Exchange (with dome) at the right.

The rapidity of this growth may be attributed in large part to the influence of the unusually strong directorate; its members have been able to send the Company a great deal of business in the way of by-products of their own institutions, and undertakings; at the same time their presence on the board has inspired public confidence to such an extent as to attract a very large volume of other business.

E. C. Converse was President until 1913; he was succeeded by Benj. Strong, Jr., who held the office until he became Governor of the Federal Reserve Bank of New York. Since 1915, the Company's executive policy has been under the direction of Mr. Seward Prosser.

Outgrowing the small quarters in Liberty Street, the new Company moved to larger quarters at No. 7 Wall Street, but it soon became apparent that the Company ought to have a building of its own, and President Strong conceived the idea of erecting a monumental building at the vortex of America's financial life, namely, where Wall, Broad, and Nassau Streets meet.

The manner in which this building was

planned was characteristic of the Company. Every detail was worked out in advance. The immense task of razing a twenty story steel and granite building to make room for the new home of the trust company, the excavating, the steel construction, and the final completion of the building to the last detail, were carried out with remarkable precision. On May 18, and 19, 1912, the Company moved to its new and permanent home. The building and the banking quarters therein are hardly surpassed by any.

Two other important New York trust companies were acquired during recent years by the Bankers; one, the Mercantile, taken over in 1911; the other, the Manhattan, acquired in the spring of 1912. The first of these had been a trust company landmark in Broadway since 1873, having been in early years under the Presidency of Louis Fitzgerald, and later of William C. Poillon; while the other dates back to 1871 and was for many years under the able administration of John I. Waterbury.

The announced policy of the Company at the outset was to conduct a trust company for trust company business, and to make no attempt

to compete with National and State banks. It was also decided from the beginning, to adopt the Clearing House rules of collection, and to maintain the cash reserve required of member banks. As soon as trust companies became eligible for membership in the New York Clearing House Association, the Bankers Trust Company became a member.

When the American Bankers Association decided to establish its own system of travelers' checks, the Bankers Trust Company was appointed agent for all the banks issuing those checks, for the reason that this company was not competing with National and State banks, also because it was particularly well fitted to undertake the work on account of its strong international banking connections. The first "A. B. A." *cheque* was issued in April, 1909; now the *cheques* are one of the leading forms of travelers' credit, and are universally accepted as an international medium of exchange.

The clientele of the Bankers Trust Company includes many industrial, railroad, and public service corporations; many foreign, state, and municipal governments; numerous banks, bank-

ers, and trust companies; and a large number of state institutions, societies, associations, and individuals.

A long period elapsed after the great fire in Chicago in 1871, before bank vaults were again put to the test of withstanding a violent conflagration. It was Baltimore's turn, however, to suffer in 1904, and some of the facts of that great fire, briefed from the story, as told in *Trust Companies*, are subjoined.

As soon as the ravages of the fire could be measured, came an anxious inquiry for the safety of the contents of bank and trust company vaults. As to the latter, one of several announcements was that although eight of the City's twelve institutions were located in the devastated section their safe deposit and other vaults had remained intact. The imposing building of the Continental Trust Company proved to be practically fire proof, while that of the Safe Deposit & Trust Company stood almost unharmed amidst the charred ruins of its neighbors.

There were some losses due to the premature opening of strong boxes which had not yet

The San Francisco Catastrophe 229

sufficiently cooled, but generally the losses of the companies were well covered by insurance. The firmness of the financial credit of Baltimore institutions was shown by a decrease of only about two points in quotations for their stocks on the first day the Exchange resumed business. The trust companies of the city not only came forward with financial aid to the public, but gave free rental to various banking houses. One company, even before the fire had run its course, opened its doors and provided its patrons with emergency sums of money until regular business could be resumed.

Two years later San Francisco's financial interests had to be tried out under even sterner conditions and in that city a valuable object lesson, previously learned, was availed of, for whereas in Chicago and in Baltimore many millions of dollars' worth of securities and valuables had been destroyed because the heated vaults were opened too soon, thus admitting oxygen, the same mistake was not made by the San Francisco bankers. When the contents of the vaults there were exposed to the air, several weeks after the fire, the contents were

found safe and intact. Because of these wise precautions, the financial resources of San Francisco suffered little material hurt and banking was resumed without any serious losses. The formation of committees of bankers for the purpose of safeguarding moneyed interests and preventing runs was likewise a means of restoring confidence. Withdrawals of deposits were limited, and payments made by certificate checks drawn by banks on the United States Mint, where a Clearing House Bank was formed for temporary needs.

All of the banks and trust companies opened temporary offices immediately, and most of them made prompt arrangements for the reconstruction of headquarters in the burned district. The massive vaults of the California Safe Deposit & Trust Company, although buried under tons of débris, were found intact with their contents in good condition, and the same was true of the vaults and safes of the Mercantile Trust Company. Practically all of the city's financial institutions were equipped with modern vaults, and they successfully survived the test of both fire and earthquake.

CHAPTER XVI

THE PANIC OF 1907

IN the fall of the year following the San Francisco fire, with almost as little warning, and with a sudden violence, unheard of in the history of previous financial disturbances, a great panic broke upon New York and soon spread steadily to all parts of the country. In earlier pages several instances have been shown of how the trust companies played some individual parts during the depressions of the past century, but the panic of 1907 was in its very origin a tragedy of trust company difficulties.

The first shock to financial circles came on October 21st, when the National Bank of Commerce announced that it would no longer clear the checks of the Knickerbocker Trust Company. This Company closed its doors at noon on the following day, after paying out

\$8,000,000 in cash to its depositors. Stringency at once became apparent in the money market, and at the usual opening at the money post of the Exchange on October 22d not a loan could be negotiated for almost an hour, a circumstance unprecedented in the history of Wall Street. October 23d saw frenzied runs on the Trust Company of America and the Lincoln Trust Company, the former during the day meeting withdrawals of \$13,000,000, to be followed next day by \$9,000,000 more. Some hope was inspired by a midnight meeting of bankers and brokers, with J. Pierpont Morgan at their head, who promised to help the trust companies, and by the assurance of assistance from the Government.

Nevertheless conditions on the Exchange during the day of October 24th were in an unmistakable state of panic when, at 2:15 P.M., a pool of the principal banks, acting through J. P. Morgan & Company, came to the assistance of the money market, loaning \$25,000,000, with such prompt and beneficial results that stocks began immediately to recover and some measure of confidence was restored. On this

day also the National banks received \$19,000,000 from the Government. However, on the next day, October 25th, occurred fresh evidences of the deep seated nature of the trouble in the failure of three banks and three trust companies, the First National of Brooklyn being the first Clearing House member to suspend. Then followed the issuance of Clearing House certificates, which course had not been resorted to since 1893.

With the engagement, on October 23d, of \$18,750,000 gold for import the situation was greatly relieved; stocks advanced, but runs on the banks continued, and the Clearing Houses of Boston, Chicago, and many other cities began to issue certificates. Early in November the first importation of gold arrived, and at the same time announcement was made that, upon examination, the assets of the besieged New York trust companies were found to be more than sufficient to cover all deposits. The hopeful impression thus created was, however, largely offset on November 16th when, at the request of the State Superintendent of Banks, temporary receivers were appointed for

the Williamsburg Trust Company, Jenkins Trust Company, International Trust Company, Borough Bank of Brooklyn, and Brooklyn Bank.

A relief plan announced by the Government on November 17th provided for the issuance of \$100,000,000 three per cent. one-year notes, and \$50,000,000 two per cent. bonds, the former with the view of attracting the hoarded money of small investors, and the latter as the basis of new bank note circulation. Conditions during the last week of November, and, indeed, until the end of 1907, when gold imports had reached \$100,000,000, showed a decided improvement, judged by the behavior of stocks; and a reassuring bank statement was issued on December 28th, showing that the deficit in surplus reserves was \$20,170,350, a reduction of \$11,580,650, from the figure for the previous week, and of \$33,933,250 from that for the week ending November 23d, the worst during the panic. At the same time, while the recovery of the stock market was rapid, the gains in general represented less than one fourth of the recessions in price which had occurred during the preceding twelve months. The

Committee of Company Heads 235

Comptroller of the Currency at the close of the year made the following statement:

“From October 20th to December 30th, there have been but sixteen suspensions or failures of national banks. Of these, two have resumed and several more should do so in the near future. Contrast this with the panic of 1893, when one hundred and sixty national banks failed, and of these, fifty-four were never re-opened.”

Meanwhile trust company suspensions in 1907, outside of New York, were few and unimportant, although the Union Trust Company of Providence closed its doors during the severest strain of the panic, and was not re-opened for business until May, 1908.

All during the period of severest depression committees of bankers labored in the larger cities, in and out of season, toward establishing a clear understanding of internal conditions in instances of ill-managed or temporarily weakened banks and trust companies.

In New York the Trust Company Committee consisted of such able financiers as:

Edward King, of the Union, who acted as

Chairman; John W. Castles, of the Guaranty; John I. Waterbury, of the Manhattan; Edwin S. Marston, of the Farmers'; James N. Wallace, of the Central; and Edward W. Sheldon, of the United States Trust Company.

These heads of great institutions, confronted by problems which promised only "to perplex and dash maturest counsels," labored ceaselessly in efforts to bring order out of the chaotic conditions involving their neighbors, the weaker trust companies. There were all-night meetings of the Committee, Mr. Morgan attending these and laboring tirelessly to adjust the difficulties. These meetings were followed by prolonged daily conferences with the management of the New York Clearing House; the securities and loans of some of the embarrassed companies were taken under physical control, and were listed, studied, and reported upon with recommendations that the more deserving concerns be given financial aid. Never in the history of New York banking affairs has there been a crisis requiring efforts so earnest and so ably directed toward co-operation; never has there been a group of men, made up of the

heads of competitive corporations, who so untiringly set themselves to the task of solving a series of vast problems in tangled finance. The aid thus furnished was a powerful influence in bringing about a speedy restoration of public confidence everywhere, and it is safe to assert that for generations to come the efforts and accomplishments of the New York Trust Company Committee of 1907 will be gratefully remembered by the entire banking and business community.

A few failures occurred during 1908, but a general readjustment ensued everywhere in financial and commercial lines. Although the effect on industries had been almost complete paralysis for a time, specie payments were not suspended by the banks as in 1857, 1873, and 1893, and with more despatch than might have been anticipated, considering former panic experiences, the causes of the trouble were removed, the over extended institutions were in some cases liquidated, in others re-organized, and the country shortly settled down to more conservative plans of making loans and investments.

The Knickerbocker Trust Company's seventy

odd millions of dollars of deposits suffered a great curtailment, but the distress of the depositors was mitigated in some measure by the wise and energetic efforts of a committee, headed by Mr. Morgan's son-in-law, Herbert L. Satterlee. The Company re-opened some weeks after its enforced closing and, within a few months, paid every depositor in full with interest. In 1912 it amalgamated with another company, now to be described.

The Columbia Trust Company holds a charter dating back to the seventies, although the trust company privileges it conferred were not availed of until the year 1905. Robert S. Bradley acted as the first President, being succeeded in 1908 by Willard V. King. The offices have been successively at No. 20 Nassau Street, No. 135 Broadway and, since 1912, at No. 60 Broadway.

In 1912 the interests of the Columbia Trust Company and the Knickerbocker Trust Company were united, and Charles H. Keep became Chairman of the Board, having been President of the newer and stronger Knickerbocker Trust Company.

The Columbia Trust Company is to-day one of the companies in the one hundred million dollar class, the aggregate of its statement having reached this figure in the spring of 1916. Ten years ago its capital was \$1,000,000, its surplus and undivided profits a shade over the same amount, its total resources \$7,000,000. In 1912 it had accumulated another million of surplus and undivided profits, and had deposits of about \$20,000,000. In 1916 it reported two millions of capital, eight millions of surplus and undivided profits, and nearly one hundred and five millions of dollars of total assets and liabilities. It is paying dividends, including extras, of twenty-eight per cent. per annum. It maintains a branch office at Fifth Avenue, corner of Thirty-fourth Street, one in Harlem at the corner of Lenox Avenue and 125th Street, and in the Borough of the Bronx at Third Avenue and 148th Street.

Among large New York trust institutions the youngest is an uptown company incorporated in 1907. This is the Astor Trust Company at No. 389 Fifth Avenue, corner of Thirty-sixth Street; an imposing building, now being

erected at the southeast corner of Fifth Avenue and Forty-second Street—one of the busiest sections of the city—will in the future be its home. E. C. Converse has been President from the beginning.

Its personnel is of the highest character and the growth of accounts has been phenomenal from the start. During the first year of business the resources were shown in the surprising aggregate of \$11,000,000; by 1916 they had amounted to \$35,000,000. The present capital is \$1,250,000, the surplus and undivided profits over \$1,700,000.

The trust company idea, while essentially a development within the United States, has been made the model for several incorporations abroad. In Canada there are about twenty companies at the present writing, ranging from Halifax to Vancouver. Few of these, however, receive deposits except in trust. A number have extensive branch office connections. Among the leading companies of the Dominion, may be mentioned the Toronto General Trusts Corporation, dating back to 1882, and The Royal Trust Company of Montreal, incorporated in 1899.

Hawaii is the home of seven institutions, and The Trust Company of Cuba has been operated in Havana since 1905. Three years ago, in 1913, an organization was effected in the City of Panama under the title Continental Banking Trust Company, with branches in Bocas del Toro and David, Panama. London, England has its British Reserve Trust Company, and the Australian field is served by the Trustee, Executors and Agency Company of Melbourne. A financial writer some years ago presented the claim that the Industrial Bank of Japan, located in Tokio, conducts a business which in many respects resembles the plan of operation pursued by American trust companies.

CHAPTER XVII

BRIEF SKETCHES OF TWENTY-SIX REPRESENTATIVE INSTITUTIONS

IN the foregoing chapters the thirty largest trust companies in the Country have been described, with sketches of some few institutions, fifteen in number, which, because of their age or organization in representative parts of the country, have served to make a continuing story of development. On June 30, 1916, there were twenty-five other institutions which one year previous had issued statements, as set forth in the United States Mortgage & Trust Company's book, *Trust Companies of the United States*, amounting in each case to fifteen millions of dollars and upwards. These twenty-five companies, because of their commanding position in these days, must be given due mention, and it is a source of regret that the scope

of this brief story will not permit of reference to the many hundreds of other representative concerns which are notable as having accomplished, in degree, the same honorable successes as have been reached by the seventy largest companies chosen for purposes of specific narratives. Grouped from West to East, rather than according to age or size, these twenty-five concerns (with the addition of one large Chicago institution not having the word "trust" included in its corporate title) will be found to rate from forty-one millions of present resources downward, and to be, in a number of instances, first in rank among trust companies within certain cities not heretofore mentioned.

The Savings Union Bank & Trust Company of San Francisco, was incorporated in 1862 as the San Francisco Savings Union. In September, 1910, it absorbed the Savings & Loan Society, incorporated in 1857, and changed its name to Savings Union Bank of San Francisco. The bank offices were originally located on California Street, but in January, 1911, were moved into a newly completed building at the corner of Grant Avenue, Market, and O'Farrell

Streets, the recognized retail shopping center. In December, 1911, it enlarged its corporate powers to include trust business, and the title was changed to Savings Union Bank & Trust Company. The capital is \$1,500,000, the surplus and undivided profits \$2,230,000, and the total resources are well over \$41,000,000. John S. Drum has been President of this institution since March, 1910.

The Los Angeles Trust Company was incorporated in August, 1902, owning the eight story office building at the northwest corner of Second and Spring Streets, where trust and safe deposit departments are maintained. On March 1, 1903, the Company's banking department had its inception, and in September, 1909, the name of the institution was changed to Los Angeles Trust & Savings Bank.

Having sold the location at Second and Spring Streets, in 1909, the Company moved to the Central Building at the southwest corner of Sixth and Main Streets. There it absorbed the business of the Metropolitan Bank & Trust Company, which was occupying quarters on the site of the present location. The building

was immediately torn down, and the handsome structure now occupied by the Los Angeles Trust & Savings Bank was erected.

At the time of the consolidation, the combined deposits amounted to approximately \$6,000,000, while the latest published statement, as of July 1, 1916, shows deposits of \$25,089,817.20.

The Los Angeles Trust & Savings Bank moved to its present location on August 14, 1911, the banking and trust departments occupying the main floor, with the safe deposit department beneath. J. C. Drake has been the President of the institution since 1903, and under his able management it has grown to be the second concern of its kind in size in the City. The present capital is \$1,500,000, the surplus and undivided profits, \$1,640,000.

The German American Trust & Savings Bank of Los Angeles dates back as a savings institution to 1890, as a trust company to 1912, and is presided over by M. N. Avery. Its offices are located at Seventh and Spring Streets, and its latest balance sheet footed for nearly \$25,000,000, including \$1,000,000 of capital, and \$1,346,000 of surplus and undivided profits.

246 Story of Trust Companies

The German-American has upwards of fifty thousand depositors' accounts on its books at the present time.

The Commerce Trust Company of Kansas City has been since 1906 the best known institution in that locality. It is in the fifteen-story Commerce Trust Building at Tenth and Walnut Streets. The first President was Dr. W. S. Woods, but since 1909 that office has been held by W. T. Kemper. The Vice-Presidents are W. S. McLucas, R. C. Menefee, and Townley Culbertson.

The capital has always been \$1,000,000, and there is a trifle more than this sum in surplus and undivided profit accounts. The resources on June 30, 1916 totaled \$22,868,121.47.

An interesting feature of the Company's operations is an "accumulative savings plan." Under this there are certificates issued for \$100, \$200, \$500, or \$1000, the depositor's payments to be received monthly for a period of seven years, interest and certain additional credits being allowed at maturity. In the instance of a \$500 certificate, eighty-four monthly payments of \$5.35 each or a total

investment of \$449.40, at maturity have a worth of \$500, plus a 2 per cent. bonus.

The Hibernia Bank & Trust Company of New Orleans, while not claiming to date back to as early a period as its neighbor, the Canal Bank & Trust Company, is the foremost institution of its kind in New Orleans. It occupies a beautiful home at the corner of Carondelet and Gravier Streets, and since 1904 has been under the presidency of John J. Gannon. Prior to that time John W. Castles, afterwards the chief executive of the Guaranty Trust Company, and later of the Union Trust Company of New York, acted as President.

The Company has \$1,500,000 of capital, over \$2,000,000 of surplus and undivided profits, and approximately \$23,000,000 of aggregate assets and liabilities.

In Chicago, the Northern Trust Company, at No. 50 South La Salle Street, ranks to-day in the forty million dollar class. It was organized in 1889, and its balance sheet footed in 1896 for \$10,000,000; in 1906, for almost \$31,000,000, and in 1916 for \$41,000,000. The

capital is \$2,000,000, and the surplus and undivided profits are upwards of \$2,800,000.

The Company has had two Presidents, Byron L. Smith down to 1913, and Solomon A. Smith since that time.

In 1907 the Chicago and other Western business of the investment banking house of N. W. Harris & Company, founded in 1882, had so increased as to warrant its incorporation as a bank and trust company, the new title being Harris Trust & Savings Bank. By 1911 its deposits exceeded \$19,000,000. In the fall of that year the Company moved into new quarters known as the Harris Trust Building, a structure combining the acme of modern architecture with convenience and safety. It is noteworthy that at the formal dedication of the building, the Twentieth Century Limited was specially chartered to carry the stockholders and employees of the New York and Boston associated banking houses to Chicago, where a banquet was given in the main lobby of the bank in honor of the event.

Albert W. Harris is President, having succeeded Norman W. Harris, the founder and

first president, when he became Chairman of the Board; the latter died July 15, 1916. The 1916 figures of capital, surplus and undivided profits, and total resources are reported at \$1,500,000, \$3,500,000, and \$35,000,000, respectively. Its sales of investment bonds are undoubtedly the largest made by any institution west of New York City.

The Chicago Title & Trust Company located at No. 69 West Washington Street in that City, in a building bearing the Company's name, goes back in its history to the abstract business conducted by Rees & Rucker in 1847. Under various succeeding co-partnerships a title business was built up until 1901, when a merger occurred of all the title companies then in existence in Cook County, Illinois.

The President of the institution is Harrison B. Riley, and its capital is \$5,600,000, with surplus and undivided profits of \$3,800,000. The Company makes abstracts of title, guarantees titles to real estate and does a general trust business. It has never accepted deposits.

Among Chicago trust companies mention might properly be made of the Hibernian

250 Story of Trust Companies

Banking Association at No. 208 South LaSalle Street. George M. Reynolds is President, and the institution, while not containing the word "trust" in its title is amenable to the laws of Illinois covering trust companies, and as an association doing a trust business, is reported nowadays in the thirty million dollar class. It is a concern worthy of being classed among the large trust companies of the country.

Third in size among Cleveland's trust institutions at the present writing stands the Guardian Savings & Trust Company at No. 322 Euclid Avenue. It was organized in 1894, and has had two Presidents, John F. Whitelaw until 1898, and H. P. McIntosh since that year.

In 1904 there was an absorption of the Federal Trust Company. For a young institution the growth has been remarkable. The balance sheet of 1896 totaled \$1,125,000; in 1906, less than \$15,000,000, and in 1916, over \$37,000,000. The final figure includes \$2,000,000 of capital, and \$2,276,800 of surplus and undivided profits.

New and larger quarters are now being constructed at Nos. 619-637 Euclid Avenue, which will provide ample room for the Com-

pany's rapidly increasing business. These new quarters are to be ready for occupancy about December 1, 1916.

The largest institution of its kind in Southern Ohio, the Union Savings Bank & Trust Company, of Cincinnati, was organized in 1890. Its Presidents in succession have been J. G. Schmidlapp (Chairman of the Board since 1913) and Clifford B. Wright. The offices are at the well-known corner of Fourth and Walnut Streets. From a one-million-dollar institution in 1896, the resources have increased in twenty years to a total of approximately twenty-two and one half millions. Among the liabilities are \$1,000,000 of capital and nearly \$3,000,000 of surplus and undivided profits.

The Fidelity Title & Trust Company, Pittsburgh, having its home at No. 341 Fourth Avenue, was engaged in the title and trust business until 1903, when it sold the title business, continuing only in the trust. John B. Jackson was its President for twenty years and later James J. Donnell was elected President and since 1913 has been Chairman of the Board. The President at this time is Cyrus S. Gray.

252 Story of Trust Companies

The Company's original capital was \$1,000,000, which was doubled a little over ten years ago. The surplus and undivided profits are now \$6,000,000 and the total resources are \$24,500,000. It has a trust business aggregating more than \$63,000,000. It has not taken over any other financial companies during its existence.

The Colonial Trust Company of Pittsburgh, located at No. 317 Fourth Avenue, dates back to 1902. Its first President was Joshua Rhoades, and since 1904 that office has been held by E. H. Jennings.

On June 30, 1916, the Company reported \$2,600,000 capital, \$3,300,000 surplus and undivided profits, and \$18,000,000 of resources.

Baltimore's foremost trust company has for years been the Mercantile Trust & Deposit Company at Calvert and German Streets. It was incorporated in 1884 and has had two Presidents, John Gill of R. down to 1910 and A. H. S. Post since that time.

The original capital of \$500,000 is now \$1,500,000, and there are surplus and undivided profits of \$3,200,000. The total resources

have nearly doubled since 1908 and in 1916 were \$20,531,537.13.

This Company has the largest capital and surplus of any financial institution in Maryland or any Southern State.

The Commercial Trust Company of Philadelphia, incorporated in 1894, was originally located in the Drexel Building, and after two years of operations there, under Thomas Frothingham as President, reported resources of something more than \$4,500,000; by 1906 the total was \$12,000,000, and in 1916, \$27,000,000.

Horatio G. Lloyd succeeded to the presidency in 1900, and since 1910 Thomas DeWitt Cuyler has served in that capacity.

The present offices are on the ground floor of the Arcade Building, facing the City Hall. The present capital is \$1,000,000; the surplus and undivided profits, \$1,175,000.

Rochester has two great trust companies, the elder, the Rochester Trust & Safe Deposit Company, organized in 1888. From a company of five millions of dollars in 1896, this concern has shown an increase during twenty years of nearly five times over.

The capital in 1916 was \$500,000, the surplus and undivided profits, \$871,000, and total resources, \$23,610,000.

Originally quartered at No. 25 Exchange Street, the institution recently removed to a permanent home in the fine granite building at the southwest corner of Main and Exchange Streets.

The Presidents have been J. Moreau Smith, V. Moreau Smith, and the present incumbent, William C. Barry. Robert C. Watson is Vice-President and Secretary.

The Security Trust Company of Rochester was incorporated in 1894 and has had two Presidents, Edward Harris and James S. Watson. Like its neighbor, as above described, the Company's successive reports have shown marked growth. The total resources in 1896 were less than \$1,500,000; in 1906, \$11,500,000, and in 1916 nearly \$16,500,000. The present capital is \$300,000, surplus and undivided profits are \$546,000, and the shares of the Company have sold in recent years at as high a rate as 600 per cent.

Syracuse, New York, claims the honor of

having been the first city outside of the very large ones to have founded in its midst one of our great modern trust companies. This was the Trust & Deposit Company of Onondaga, chartered in 1866. Its early Presidents were Dudley B. Phelps and George Barnes. Afterward, from 1896 to 1913, this title was held by Francis Hendricks. Since that date the administration has been vested in Arthur W. Loasby.

From 1876 to 1886 a doubling occurred in the Company's total resources, the figures showing growth from one half a million of dollars to one and a quarter millions. By 1896 they nearly doubled again to the sum of two millions. During the next ten years the same process occurred twice, showing a total of nearly ten millions of dollars. At this period the Company's capital stock was \$100,000, but was subsequently increased and now stands at \$1,000,000, with surplus and undivided profits and other assets of \$666,000, while the resources have again increased almost twofold during the ten years since 1906 and are to-day the substantial sum of \$18,876,506.15.

Hoboken is the home of two great trust com-

256 Story of Trust Companies

panies. One of these, the Hudson Trust Company, dates back to 1890 and is domiciled in West Hoboken with a branch office in Hoboken. S. Bayard Dod was President until 1899. Since that time Myles Tierney has held the office.

The Company's \$500,000 of capital carries with it surplus and undivided profits of \$1,643,000, and its aggregate resources are \$21,257,501.45.

The Trust Company of New Jersey began business in Hoboken in 1899. It has been constantly under the Presidency of General William C. Heppenheimer. Ten years ago the resources were less than five millions of dollars; in 1916 they were reported at \$21,640,065.84. Included in this sum were investments of capital amounting to \$600,000, which sum carried with it \$948,000 of surplus and undivided profits. During the year 1913 the Trust Company of New Jersey absorbed three neighboring institutions in Jersey City. These were the People's Safe Deposit & Trust Company, the Bergen & Lafayette Trust Company, and the Carteret Trust Company.

A New York institution catering largely to wholesale trade has carried on a trust business since 1902 under the title of Broadway Trust Company. It was originally located at No. 756 Broadway, but in 1911 removed to No. 754, directly adjoining the Wanamaker stores. It now has its main offices in the Woolworth Building at No. 233 Broadway, and another branch in Chambers Street at the corner of West Broadway. There are three Long Island branches, in the Flatbush section of Brooklyn, in Long Island City, and in Borough Park.

The capital is \$1,500,000, surplus and undivided profits \$937,000, and the total resources are upwards of \$28,000,000, as against less than \$5,000,000 ten years ago, in 1906.

The Borough of Brooklyn contains two institutions which in point of size rank well up with the pioneer institution already described, the Brooklyn Trust Company. Both were incorporated in 1889. The People's Trust Company is next in size after the institution named and is in the thirty-million-dollar class as regards resources, having grown over eleven millions in the past ten years, whereas an ag-

gregate of less than nine millions was reported twenty years ago, in 1896.

Owing to the rapid expansion of the Company's business the offices were in 1890 moved from No. 201 Montague Street to larger quarters at No. 172, and in 1906 a commodious and distinctive building was erected in the same street at No. 181. The Presidents have been William H. Murtha from the beginning to 1891, Felix Campbell down to 1902, Edward Johnson to 1907, and Charles A. Boody since that time. An important bank absorption occurred in 1906 when the Wallabout Bank of Brooklyn was acquired.

The Kings County Trust Company at No. 342 Fulton Street, Brooklyn, located in the busiest part of that borough, is an institution with \$500,000 capital and over \$2,700,000 of surplus and undivided profits. The relative figures of total resources for 1896, 1906, and 1916 have been \$7,000,000, \$14,000,000, and \$27,000,000, respectively. Julian D. Fairchild has been President since 1893.

A notable testamentary trust was that created under the will of the late Mayor William

J. Gaynor who died in 1914, making the Kings County Trust Company his sole executor and trustee.

In concluding the separate sketches of the country's seventy largest trust companies, Boston is found to be the home of three important concerns not hereinbefore described.

The American Trust Company at No. 50 State Street has been in business since 1881 and has had four Presidents, Ezra H. Baker, who served until 1886; S. Endicott Peabody, until 1903; Noah W. Jordan, until 1906; and Russell G. Fessenden from 1907 to the present time. Mr. Fessenden also holds the title of Chairman of the Board.

The Company in 1896 reported less than \$5,000,000 of resources; ten years later the total was nearly four times that sum. In 1916 the aggregate was nearly \$25,000,000. The capital has been \$1,000,000 from the beginning and this carries with it at the present time, \$2,386,000 of surplus and undivided profits, all of which has been earned. The Company conducts a large trust and transfer department, and more than one hundred and fifty corpora-

tions and associations employ the Company either as transfer agent or registrar.

In June, 1891, a group of Boston business men representing interests identified with the Third National Bank of that city met as a Board of Directors and inaugurated the business of the State Street Trust Company. The institution was opened for business on the first day of the following month.

The original offices were in the basement of the Exchange Building directly beneath the present quarters of the Federal Reserve Bank. In 1900 the Company moved to the Union Building at the corner of State and Exchange Streets. Two years later a branch office was opened on Massachusetts Avenue, and in 1905 the Company erected a handsome building at the corner of Massachusetts Avenue and Boylston Street. This office is equipped with modern safe deposit vaults and at the present time the needs of about three thousand depositors are served. During February, 1916, the Company absorbed the Paul Revere Trust Company, and to-day has four separate offices.

The Company now reports \$1,000,000 in



State Street, Boston, 1849.

From original print in the main office of the State Street Trust Company.

capital stock and \$1,638,000 in surplus and undivided profits. Its total resources on October 31, 1896, were \$1,524,673.48. By June 30, 1906, they amounted to \$9,535,781.73. The growth of the Company down to June 30, 1916, is evidenced by a volume of total resources amounting to \$28,803,374.87.

Moses Williams was the first President and has been Chairman of the Board since 1913, Allan Forbes having succeeded to the presidency in 1911.

The Commonwealth Trust Company began doing business in Boston at its offices, No. 88 Summer Street, in 1904, with a capital of one million dollars. The Colonial National Bank of Boston was absorbed by this institution during the first year of its existence and the growth has been in marked degree at all times, it now having four separate offices doing business in different parts of the city.

The assets have doubled within the past ten years and to-day amount to the sum of \$22,787,949.36. The capital has always been \$1,000,000 and there is a present surplus fund, with additions of undivided profits, of \$729,203.12.

The Company has absorbed two other institutions in recent years, the New England National Bank in 1909, and the Hamilton Trust Company in 1914. David J. Lord was the Company's President until 1909; since then George S. Mumford has served in that capacity.

CHAPTER XVIII

THE TRUST COMPANY SECTION OF THE AMERICAN BANKERS' ASSOCIATION

PRIOR to the year 1896 there had been no distinctive organization of trust company officials. Many of the companies had, indeed, been members of the American Bankers' Association, some of them almost from its beginning in 1875, and had regularly sent representatives to the annual conventions of that body, the proceedings of which, always interesting to financial minds, bore at times directly on trust company affairs. But as the years went by, each furnishing evidence of the great and ever broadening scope of trust company interests, the desirability of an organization, allied with the Association, but having an individual entity and recognized aims, was increasingly felt.

The first step toward the realization of this

project was taken in 1895 when the Executive Council of the American Bankers' Association was requested so to amend its by-laws as to permit of a Trust Company Section being formed; the application was refused on the ground that no precedent for such a course existed. The next year, however, early in September, a letter was addressed to the trust companies calling attention to the want of adequate organization, and suggesting that representatives be sent to discuss the matter at the convention of the American Bankers' Association to be held in St. Louis on September 22d. This letter was sent out through the Mississippi Valley Trust Co., and had to it appended the following names:

Boston—Old Colony Trust Co., by T. Jefferson Coolidge, Jr., President.

New York—Continental Trust Co. of the City of New York, by Otto T. Bannard, President. United States Mortgage & Trust Co., by G. W. Young, President.

Brooklyn—Franklin Trust Co., by Geo. H. Southard, President.

Chicago—The Northern Trust Co. Bank,

by Arthur Heurtley, Secretary. Security Title & Trust Co., by Peter Dudley, Trust Officer. Title Guarantee & Trust Co., by Frank H. Sellers, Trust Officer.

Indianapolis—The Union Trust Co., by John H. Holiday, President.

St. Louis—Mississippi Valley Trust Co., by Breckinridge Jones, second Vice-President. St. Louis Trust Co., by John D. Tilley, Secretary. Union Trust Co. of St. Louis, by C. Tompkins, Treasurer. Lincoln Trust Co., by A. A. B. Woerheide, Secretary.

Louisville—Columbia Finance & Trust Co., by Attila Cox, President. Fidelity Trust & Safety Vault Co., by John Stites, Vice-President.

Denver—The International Trust Co., by F. B. Gibson, Secretary.

In response, seventeen representatives of trust companies were present at the convention which was held at the Planters' Hotel, and on the evening of the first day a meeting was called with Henry M. Dechert presiding and Breckinridge Jones acting as secretary. As a result of the deliberations and subsequent action of this body the by-laws of the American Bankers'

266 Story of Trust Companies

Association, by unanimous vote on September 24, 1896, were amended to include, among others, the following clauses:

“A section of the Association to be known as ‘Section of Trust Companies’ is hereby established which shall meet annually in connection with the meeting of this Association.

“The scope of the section shall embrace matters of interest to trust companies in so far as such matters are distinct from banking. It may report to the Association, and affairs relating to trust companies may be referred to it.”

Such was the origin of the Trust Company Section which, in its growth and importance, has amply justified the foresight and initiative of its founders. The membership in 1897, when the first annual meeting was held, numbered 114, which figure had grown to 253 in 1900, and has been constantly increasing until to-day it is well over 1400.

The annual meeting places of the Section, with the names of the Chairmen (Presidents, since 1905), are here given:

Presidents and Meeting Places 267

- 1897. Detroit, Henry M. Dechert, Commonwealth Title Insurance & Trust Company, Philadelphia;
- 1898. Denver, Francis S. Bangs, State Trust Company, New York City;
- 1899. Cleveland, Breckinridge Jones, Mississippi Valley Trust Company, St. Louis;
- 1900. Richmond, Anton G. Hodenpyl, Michigan Trust Company, Grand Rapids;
- 1901. Milwaukee, Wm. G. Mather, American Trust Company, Cleveland;
- 1902. New Orleans, John Skelton Williams, Richmond Trust & Safe Deposit Company;
- 1903. San Francisco, John E. Borne, Colonial Trust Company, New York City;
- 1904. New York, Breckinridge Jones;
- 1905. Washington, D. C., E. A. Potter, American Trust & Savings Bank, Chicago;
- 1906. St. Louis, Clark Williams, Columbia Trust Company, New York City;
- 1907. Atlantic City, Festus J. Wade, Mercantile Trust Company, St. Louis;
- 1908. Denver, Philip S. Babcock, Trust Company of America, New York City;
- 1909. Chicago, A. A. Jackson, Girard Trust Company, Philadelphia;

268 Story of Trust Companies

- 1910. Los Angeles, H. P. McIntosh, Guardian Trust Company, Cleveland;
- 1911. New Orleans, Oliver C. Fuller, Wisconsin Trust & Security Company, Milwaukee;
- 1912. Detroit, Col. F. H. Fries, Wachovia Loan & Trust Company, Winston-Salem, N. C.
- 1913. Boston, William C. Poillon, Bankers Trust Company, New York City;
- 1914. Richmond, F. H. Goff, Cleveland Trust Company;
- 1915. Seattle, Ralph W. Cutler, Hartford Trust Company;
- 1916. Kansas City, John H. Mason, Commercial Trust Company, Philadelphia.

In the years 1898, 1900, 1903, and 1904, in the absence of the regular Chairmen, and in 1907 of the President, the meetings were presided over by Breckinridge Jones, William G. Mather, E. A. Potter, Clark Williams, and Philip S. Babcock, respectively.

The order of business at the meetings, after the customary preliminaries, has generally been as follows: Address of Welcome; Reply to Address of Welcome; Secretary's Report;

Report of the Executive Committee; Report of Committee on Protective Laws; Reports of Special Committees; Addresses; Addresses of Vice-Presidents of the Section from the various States; Election of Officers; Adjournment.

In retracing the story of the Trust Company Section, its present magnitude and its progress during twenty years, consideration should be given to the conditions which antedated its inception. There were in the entire country, according to the report of the National Monetary Commission in 1894, only 228 institutions that, having regard to the functions they performed, could rightly be described as trust companies. But owing to the looseness, or the absence, of laws governing such activities there were many concerns which, for reasons decidedly under suspicion, flaunted the word "trust" in their titles, and found a fruitful soil for their operations in the general misconception of what a true trust company should be. Nor was such ignorance of the matter confined to the masses of the people. Breckinridge Jones, the reputed "father" of the Section, has amusingly recounted his experiences when he attempted to discover

and collate the laws of the various States referring to trust companies. He wrote for information to the proper authorities throughout the country and, in the case of several States, learned that there was nothing in the laws bearing on the subject. The state officials in other instances proved by their responses, and the material supplied, that their notion of a trust company might be represented fairly by the definition, "a combination in restraint of trade"; while one Attorney General, on its being pointed out that he had in this manner misunderstood the purport of the query, sought to rectify his mistake by stating that the only trust company of which his department had knowledge was the Standard Oil Trust!

Among the trust companies themselves there had been, in general, scarcely any attempt at coöperation, and little uniformity of ideals and practice. The promoters of the Section, aware of the need of thorough and constructive propaganda, proceeded to "lay the foundation for a recognized literature, standardize the business, and promote acquaintance and social intercourse among trust company men." There

had been, previously, almost no literature on the trust company; in fact it has been stated that all the printed information on the subject, scattered and inaccessible as it was, might be contained in the space of fifty pages. With the publication of the *Proceedings* of the Trust Company Section for the inaugural year 1897, a beginning was made on what has become an extensive and valuable accumulation of special knowledge. As meeting after meeting took place addresses were delivered, and in due course published, on the different phases of trust company work. Prominent trust company officials stood forth ready to impart, for the benefit of the cause, the information and opinions which they had gained by interested study and long experience. In these endeavors they were ably seconded by the bankers themselves, who, once the scope of the Section was defined, saw in its activities only the promise of a friendly rivalry, mutually beneficial, between their institutions and the trust companies. Moreover, in addition to those whose efforts, however praiseworthy, might be ascribed to naturally interested motives, there were found

prominent men in other walks of life, Federal and State officers, lawyers, public accountants, and statisticians, who, seeing in the work of the Section the hope of a broader and more orderly system of national finance, willingly helped to further the movement by preparing and delivering appropriate addresses before the meetings. A few of these may be mentioned as indicating the range of subjects presented: 1903, address on "The Problem of Wealth and the Trust Company as Trustee," by Hon. Lyman J. Gage, ex-Secretary of the Treasury; 1906, "Defalcations: what Can be Done to Decrease them," by Hon. Pierre Jay, then Bank Commissioner of Massachusetts, now Federal Reserve Agent in New York City; 1907, "Confusion of Meaning of Trust Companies," by Hon. Charles Emory Smith, former Postmaster General and United States Ambassador; 1912, "Some Unscheduled Liabilities of Trust Companies," by Dean Henry M. Bates, University of Michigan; 1913, "The Relation of the Government to the Trust Company," by Hon. Samuel W. McCall, Governor of Massachusetts; 1914, "Future of State Institutions

under the Federal Reserve," by H. Parker Willis, Secretary, Federal Reserve Board.

Those responsible for the progress of the Section have not, however, depended alone on the educational influence of the meetings, inspiring and far reaching though it has been. From time to time there has been published and circulated carefully compiled matter of practical value to trust company officers, such as the *Digest of Trust Company Laws in the States and Territories*, and *Forms for Trust Companies*. Many folders and booklets, containing brief articles on trust company services, have also been prepared and distributed in large quantities for general information.

In assemblages of business men, however engrossing the occasion that has brought them together, the social and recreative instincts are usually, as a matter of course, taken into account. In this respect the Trust Company Section, so far as the annual meetings are concerned, is relieved of initiative through its affiliation with the American Bankers' Association, whose plans for social enjoyment are heartily availed of, and include banquets,

receptions, balls, trips to interesting points, etc. Among the memorable events of this nature may be recalled the Grand Ball given at the Auditorium in Chicago in 1909, when President Taft and General Frederick D. Grant were present. Previously, in 1904, when the convention was held in New York, the local members of the Section provided special entertainment for their associates in the form of a luncheon, followed by a trip through the newly completed subway.

Reference will later on be made to the banquet given in 1911, on the eve of the admission of trust companies to full membership in the New York Clearing House. The occasion proved so interesting and instructive that there was a general demand for its repetition in the year following, and the next, and so on until it has become an established event among trust company men throughout the country. The arrangements are under the direction of the Trust Company Section, which, however, makes no appropriation of funds towards the expenses, these being met by the subscriptions of the guests. From the first the scene of the

banquets has been the famous Waldorf-Astoria Hotel.

The Section has its office in New York with the American Bankers' Association, which occupies the twelfth floor of the Hanover Bank Building, with entrances at No. 11 Pine and No. 5 Nassau streets. In these spacious and refined quarters is to be found equipment in keeping with the importance and country-wide influence of the Association. The library is remarkably rich in its stores of financial and commercial literature.

For some years the Secretary of the American Bankers' Association acted in like capacity for the Trust Company Section, until 1908, when Philip S. Babcock was elected Secretary. He had formerly been Vice-President of the Trust Company of America, and by his experience, courtesy, and tact has contributed much toward the continuous growth of the Section. Upon his resignation, in September, 1916, Leroy A. Mershon, formerly Publicity Manager of the United States Mortgage & Trust Co., became Secretary.

CHAPTER XIX

PERSONNEL

WHAT has been narrated in the preceding chapters has of necessity been a recounting of events and developments almost entirely devoid of credit for the achievements of individuals. Had space permitted, the stories of the separate companies would have had woven in with them a record of the names and something of the individual deeds of the host of men in public, professional, and business life through whose efforts each of these corporate successes have been accomplished.

It seems fitting, therefore, to include a roster of trust company notables, other than the names of the presiding officers heretofore mentioned. With an occasional repetition of some few of the latter, and of the names of some of the very early founders, such a list is here presented. It

is not offered as a complete collection of names, but will serve to illustrate how splendidly the trust companies have been manned and built up and safeguarded through all the years. The subjoined names are those of some persons who either as incorporators or directors of institutions, years ago or in our own times, have lent their time, their means, and their reputations to the upbuilding of one or more companies.

First we have the Citizens Savings & Trust Company of Cleveland, presenting the distinguished name of President James A. Garfield. Of Vice-Presidents there have been several trust company men, namely, Levi P. Morton, Adlai E. Stevenson, and James S. Sherman. Among members of Cabinets are found: William M. Evarts, Richard Olney, John Hay, Elihu Root, Robert Bacon, Philander C. Knox, Daniel Manning, Charles S. Fairchild, John G. Carlisle, Lyman J. Gage, Leslie M. Shaw, William G. McAdoo, Robert T. Lincoln, Stephen B. Elkins, Daniel S. Lamont, Russell A. Alger, Judson Harmon, John W. Griggs, William F. Vilas, John Wanamaker, George von L. Meyer, William C. Whitney, Benjamin F. Tracy,

John D. Long, Paul Morton, Truman H. Newberry, David R. Francis, and Cornelius N. Bliss.

[The country's diplomatic service has been represented by a number of notables who at home have served on the boards of trust companies. Among these may be mentioned White-law Reid, William Walter Phelps, Joseph H. Choate, Myron T. Herrick, and Henry Morgenthau. Many United States Senators' names have appeared on trust company directorates. A few names by way of example of this are: Marcus A. Hanna, Nelson W. Aldrich, William A. Clark, John Kean, Clarence W. Watson, and William Murray Crane. Comptrollers of the Currency have frequently served on trust company boards. Some of the names of these in recent years have been William L. Trenholm, James H. Eckels, Charles G. Dawes, Lawrence O. Murray, and John Skelton Williams. Occasionally military celebrities have lent their names to trust undertakings. As witness of this we find on the list: Generals Franz Sigel, James S. Wadsworth, Stewart L. Woodford, and Wager Swayne.

An extended schedule might be made of

trust company connections on the part of governors of various States. As a single illustration of this, six of the chief executives of the Empire State are found to have had trust company affiliations: Edwin D. Morgan, Samuel J. Tilden, Roswell P. Flower, Horace White, John A. Dix, and Martin H. Glynn. The same is true of mayors, and the list for New York City is made up of the names of Edward Cooper, William R. Grace, Abram S. Hewitt, Hugh J. Grant, William L. Strong, and William J. Gaynor. Among the names of the older merchants of New York, and some of the other large cities, such well-known persons are found to have had a place in various of the directorates as: John Jacob Astor, Peter Cooper, Moses Taylor, William E. Dodge, Marshall O. Roberts, Eugene Kelly, Samuel D. Babcock, Charles L. Tiffany, Robert Hoe, Charles Scribner, William Steinway, William H. Appleton, William H. Aspinwall, Jordan L. Mott, Abiel A. Low, William Turnbull, Eugene G. Blackford, Charles A. Schieren, William H. Macy, Morris K. Jesup, John S. Kennedy, Erastus Corning, and Marshall Field.

A casual search of lists of directors who have been prominent in the industrial affairs of later days reveals a number of names of well-known men.

Standard Oil interests have been represented by William Rockefeller, Henry H. Rogers, Henry M. Flagler, Charles M. Pratt, Edward T. Bedford, and Orville T. Waring.

Steel and allied interests comprise names like Henry C. Frick, Henry Phipps, Charles M. Schwab, Elbert H. Gary, Daniel G. Reid, Charles A. Deere, Hugh McMillan, John Stevenson, Jr., Cyrus H. McCormick, F. N. Hoffstott, and Cleveland H. Dodge.

Among manufacturers of recent and current times are to be mentioned, Henry O. Havemeyer, Theodore A. Havemeyer, Claus Spreckels, John Arbuckle, Frederick G. Bourne, William Barbour, Marcellus Hartley, Eberhard Faber, Charles C. Coffin, George Crocker, George Westinghouse, Jr., Harrison E. Gawtry, George Eastman, James B. Duke, Samuel P. Colt, Charles H. Nettleton, Seth E. Thomas, Daniel M. Ferry, William Wrigley, Jr., Frederick E. Weyerhauser, Emerson McMillin,

Charles W. McCutchen, William Ziegler, John D. Larkin, Adolphus Busch, John F. Betz, William Disston, Albert A. Pope, Sidney W. Winslow, Edward Mallinckrodt, Joy Morton, and T. Coleman DuPont.

In mercantile lines during recent years some names are: Alexander E. Orr, Francis H. Leggett, Thomas F. Vietor, William D. Sloane, William A. Jamison, Carl Schefer, Augustus D. Juilliard, Isidor Straus, Jesse I. Straus, Louis Stern, John J. Riker, Isaac H. Clothier, David Dows, Jr., Frank Tilford, Stephen Farrelly, Robert Olyphant, Frank W. Woolworth, Thomas B. Wanamaker, Edwin J. Berwind, Patrick Cudahy, J. Ogden Armour, Patrick A. Valentine, Levi Z. Leiter, Alexander H. Revell, A. Montgomery Ward, and E. C. Simmons.

A search of trust company lists shows many notables in the field of transportation business. Some of these are, or have been: Cornelius Vanderbilt (the Commodore), William H. Vanderbilt, Daniel Drew, Robert Garrett, Austin Corbin, George M. Pullman, Samuel Sloan, John Taylor Johnston, Chauncey M. Depew, James J. Hill, Louis K. Hill, Stuyvesant Fish,

Collis P. Huntington, Edward H. Harriman, George J. Gould, Edwin Hawley, Robert Mather, George F. Baer, Alexander J. Cassatt, James McCrea, Samuel Rea, N. Parker Shortridge, Sir William C. Van Horne, Eben B. Thomas, Samuel Spencer, Leonor F. Loree, Arthur E. Stilwell, Sir Thomas G. Shaughnessy, Lucius Tuttle, Marvin Hughitt, Julius Kruttschnitt, William H. Baldwin, Jr., Charles S. Mellen, Howard Elliott, Anthony N. Brady, Theodore P. Shonts, Russell Robb, William B. Leeds, Frank Trumbull, Edward P. Ripley, Benjamin F. Yoakum, William G. Besler, Henry Tatnall, Frank J. Gould, and Samuel Thomas.

Cable, telegraph, and telephone business contributes a group of names, such as Cyrus W. Field, Henry L. Hotchkiss, Thomas T. Eckert, Robert C. Clowry, Clarence H. Mackay, Theodore N. Vail, and Union N. Bethell.

Among life, fire, and marine insurance company heads mention is to be made of Richard A. McCurdy, Charles A. Peabody, Henry B. Hyde, James H. Hyde, John A. McCall, George E. Ide, Elbridge G. Snow, John F. Dryden, Henry Evans, and Anton A. Raven.

The bench and bar have contributed these among other names: Charles P. Daly, Elbridge T. Gerry, Lisenard Stewart, Hugh J. Jewett, Charles Francis Adams, 2d, Charlton T. Lewis, Lewis Cass Ledyard, William Bayard Cutting, John W. Sterling, Frederic R. Coudert, Julien T. Davies, Joseph S. Auerbach, Paul D. Cravath, Henry W. De Forest, DeLancey Nicoll, Joseph Larocque, B. Aymar Sands, Frank R. Lawrence, George B. Case, and Frederick Geller.

Journalism has been represented by names like Salem H. Wales, Oswald G. Villard, Frank A. Munsey, George Harvey, and William J. Arkell; mining business contributes names like Daniel Guggenheim, Isaac Guggenheim, and Adolph Lewisohn; among hotel managers well-known names in the trust company field have been George C. Boldt and James H. Breslin; even medicine and literature are dignified by the name of Dr. S. Weir Mitchell; and the eminent educator, Harry A. Garfield, has in the past been an interested participant in trust company operations.

But beyond all these, the logical and essential class of men of whom might be expected ability

and discretion as honorary officers or directors has always been the country's private and corporate bankers. Of the class first named, coming from early days down to the present, mention is to be made of Russell Sage, Thomas Tileston, Shepherd Knapp, George S. Bowdoin, A. Gracie King, Edmund D. Randolph, Joseph W. Drexel, J. Pierpont Morgan, Sr., Charles Steele, Edward T. Stotesbury, George W. Perkins, Henry P. Davison, William H. Porter, August Belmont, Jacob H. Schiff, Mortimer L. Schiff, Otto H. Kahn, Paul M. Warburg, Alexander Brown, John Crosby Brown, Charles D. Dickey, Thomas Maitland, George Coppel, James Speyer, Adrian Iselin, Jr., Isaac N. Seligman, Luther Kountze, Charles Lanier, Ernst Thalmann, Henry L. Higginson, Gardiner M. Lane, E. Rollins Morse, George C. Clark, Jr., Robert H. McCurdy, Arthur Turnbull, Oscar L. Gubelman, William L. Bull, James Talcott, Elverton R. Chapman, Evans R. Dick, Henry S. Redmond, Henry Rogers Winthrop, Grant B. Schley, Allen B. Forbes, Henry R. Ickelheimer, and James Imbrie.

To these should be added a list of private

capitalists such as: John S. Kennedy, William Waldorf Astor, Vincent Astor, Darius O. Mills, Ogden Mills, W. Emlen Roosevelt, Thomas F. Ryan, George G. Haven, Robert W. Goelet, Cornelius Vanderbilt (the younger), Alfred G. Vanderbilt, Harry Payne Whitney, Edwin Gould, August Heckscher, Charles R. Flint, John D. Crimmins, H. Clay Pierce, Peter A. B. Widener, Clement A. Griscom, Thomas Dolan, Morton F. Plant, and Norman B. Ream.

To enumerate the presidents and other officials of national, state, and savings banks who have taken part in trust company activities would be a task of no small magnitude. It will be fitting, however, to show a few representative names, most of which will be readily recognized as being those of leaders in the realm of corporate banking. Without repeating the names of the original directors of the Bankers Trust Company, all of which were set forth in an earlier chapter of this volume, a partial list of New York bank presidents who have served on trust company directorates shows the names of James Stillman, Frank A. Vanderlip, Valentine P. Snyder, James S. Alexander,

William A. Nash, Walter E. Frew, George F. Baker, Francis L. Hine, Thomas W. Lamont, Henry W. Cannon, Dumont Clarke, Lewis L. Clarke, Richard Delafield, George G. Williams, Joseph B. Martindale, J. Edward Simmons, James T. Woodward, Robert M. Galloway, Phineas C. Lounsbury, Rollin P. Grant, Joseph C. Hendrix, Edward Townsend, John Harsen Rhoades, and Lewis E. Pierson.

A similar, though correspondingly incomplete, list for Philadelphia reveals the names of James R. McAllister, Philip Doerr, Samuel S. Sharp, Harry B. Michener, C. Stuart Patterson, Levi S. Rue, William T. Elliott, Lewis R. Dick, James F. Sullivan, J. S. McCulloch, Edward A. Schmidt, and G. Colesberry Purves.

In Chicago we find: James B. Forgan, David R. Forgan, George M. Reynolds, John C. Black, Helge A. Haugan, S. R. Flynn, William H. Brintnall, Edwin L. Wagner, Ernest A. Hamill, Leroy A. Goddard, and William A. Tilden.

In Boston these names, among others, appear: Robert F. Herrick, Andrew W. Preston, George W. Moses, Wilmot R. Evans, C. Minot Weld, Henry C. Jackson, Charles O. L. Dillo-

way, William A. Gaston, and Eugene V. R. Thayer.

All over the United States the tendency in recent years has been for bank presidents to affiliate themselves with the boards of directors of the trust companies. The list of names which points this fact would be incomplete without speaking of some representative bank executives in cities other than those already mentioned. A few of these follow: Michael F. Docley, of Providence; Robert C. Pruyn, of Albany; Robert L. Fryer, of Buffalo; George T. Smith, of Jersey City; William Scheerer, of Newark; Douglas H. Thomas, of Baltimore; Oliver J. Sands, of Richmond; Robert J. Lowry, of Atlanta; T. H. Given, of Pittsburgh; Emory W. Clark, of Detroit; Fred Vogel, Jr., of Milwaukee; F. M. Prince, of Minneapolis; Edwards Whitaker, of St. Louis; H. J. Alexander, of Denver; M. F. Backus, of Seattle; D. W. Twohy, of Spokane; William M. Ladd, of Portland, Oregon; Frank B. Anderson, of San Francisco; and J. M. Elliott, of Los Angeles.

CHAPTER XX

SUSPENSIONS AND FAILURES. CLEARING HOUSE ARRANGEMENTS. RECENT GROWTH

OUR story is to conclude with some account of the numbers and aggregate size of the companies everywhere during recent years. Before presenting these facts, however, and telling of the modern growth and general success of the companies as a class of institutions, something ought properly to be related by way of showing the other side of the picture.

In 1908, a compilation was made by "Bradstreet's" of bank and trust company suspensions during the sixteen years from 1893 to 1908, inclusive. This showed that the suspensions of 1893 numbered 598, as compared with only eighty-nine in the panic year of 1907 (mostly from October on), and 132 in the course of the year 1908.

Listed by the different classes of institutions the items and totals for the sixteen years were:

National banks.....	359
State banks.....	559
Savings banks.....	167
Private bankers.....	686
Loan and trust companies.....	84
A total of.....	<hr/> 1855

On the face of this statement, it would appear that the trust companies had been singularly free from insolvency troubles. But it should be remembered that they numbered considerably fewer than the banks and that whereas the savings banks which had suspended represented 93/100ths per cent. of all the institutions of that class throughout the country, the element of trust company suspensions represented 70/100ths per cent. of the entire number, while the percentages of the state banks and national banks were only 61/100ths per cent. and 49/100ths per cent. respectively.

Early in 1911 a particularly disastrous failure occurred in New York City. This was when the Carnegie Trust Company at No. 115 Broadway was closed by order of the State

Superintendent of Banks. This concern had been permitted in 1907 to bear the honored name of the iron master of Pittsburgh, but Mr. Carnegie had never been upon the directorate and, when troubles overtook the Company, was interested only to the extent of considering plans whereby those difficulties might be averted. Appeals were made to him and to others at the close of 1910, but internal conditions were too insecure and the institution, reported in the summer of that year as having over eleven and one half millions of dollars of resources, went to the wall and was never rehabilitated.

Another suspension in New York, back in 1904, was that of the Trust Company of the Republic, which became involved in difficulties connected with the unfortunate affairs of the "Shipbuilding Company." A serious failure also occurred in 1914 when the La Salle Street Trust & Savings Bank of Chicago was forced to suspend, carrying down with it a large number of affiliated banks. The so-called Lorimer-Munday difficulties which began in the early spring of that year have made a series of tangles

which have continued to engage the attention of the courts even down to the time of this writing.

Previous failures had taken place in 1903 when the Federal Trust Company of Cleveland, a concern then two years old, got into difficulties; while in the same year the Union Trust Company of Boston was forced to suspend. Generally speaking, however, the record of solvency among these institutions has been as satisfactory as might be expected in a field in which such tremendous strides have been made within a short period of time.

The greatest trust company problem of the past decade has certainly been the question of maintenance by them of proper cash reserves against deposits. Naturally this loomed large in the affairs of New York City financial arrangements. Until June 1, 1903, trust companies taking advantage of the privileges of the New York Clearing House had not been required to carry such reserves against deposits. The matter was first made a sharp issue in April, 1902, by the action of the Clearing House Association in adopting a regulation to the effect that trust companies affiliated with it

should be called upon to maintain "such cash reserves on deposits as the Clearing House Committee may determine."

Much discussion in financial circles followed, from which it appeared that there was considerable difference of opinion among the institutions concerned, some of them, such as the Title Guarantee & Trust Company, and the Van Norden Trust Company, declaring that the proposed regulation was just and necessary, and announcing that they had provided, of their own accord, for reserves approximating or equaling the fifteen per cent. reserve required of state banks. A few of the largest trust companies, on the other hand, asserted that the action of the Clearing House Association was unnecessary and officious, inasmuch as all conservative and successful companies did voluntarily provide their own reserves. The majority of the smaller companies appeared willing to abide by the eventual ruling of the Association; but on one point practically all the trust companies were agreed, namely, that there should be a distinction made between active and inactive accounts, that is, between

Withdrawal from Clearing House 293

accounts subject to check at sight and those designated trust funds or time deposits. It would be unwise and absurd, they argued, to withdraw from circulation so great an amount of money as would be represented by even a moderate reserve on funds which, of their nature, were virtually permanent or of long and fixed duration. It was contended further that the banks holding trust company deposits would be the real sufferers because of the withdrawals necessary to meet the requirements of reserves.

The eagerly anticipated ruling of the Clearing House Association was announced on February 11, 1903, and definitely required the establishment and maintenance by trust companies of a 5 per cent. cash reserve by June 1, 1903, of 7½ per cent. by February 1, 1904, and of 10 per cent. after June 1, 1904. It became apparent at once that several of the most prominent trust companies would withdraw from the Clearing House, and for a time there seemed a likelihood that an independent clearing organization would be formed for the transaction of trust company business. This project, however, was finally abandoned as impractica-

ble, and upon the new reserve rule going into effect on June 1, 1903, it was found that seventeen trust companies continued to be represented at the Clearing House, and that these held in their vaults as a 5 per cent. cash reserve, \$5,266,450, or about one fourth the amount which would have been required as reserves had the ten seceding trust companies also submitted to the rule.

On February 1, 1904, the date on which the $7\frac{1}{2}$ per cent. reserve requirement became effective, two or three additional companies retired rather than carry such a "burdensome reserve," and on June 1, 1904, when the full 10 per cent. cash reserve was required, so many further secessions had occurred that there remained only two trust companies of the twenty-seven that had been originally affiliated with the Clearing House.

For about two years the trust companies were allowed to shape their own course, but on April 27, 1906, the first trust company reserve law ever enacted in New York went into effect. It required New York City companies to carry 5 per cent. of deposits in cash, 5 per cent. in bank, and 5 per cent. in bonds, and appeared to work satisfactorily until the panic of 1907, when

"over the counter" clearings, and want of a clearing organization, resulted in serious complications. Early in 1908 the Legislature enacted the present reserve law which requires trust companies in Manhattan to carry, at all times, a cash reserve of 15 per cent. of all demand deposits.

Back in 1907 a special committee of bankers had been appointed by Governor Hughes. In a report submitted by them in December of that year, it was stated that their deliberations had been to the end of determining "what, if any, changes are advisable in the law of the State relating to the incorporation, conduct, and supervision of banks and trust companies." The personnel of the committee was partly representative of banks and partly of trust companies. Its members were A. Barton Hepburn, Edwin S. Marston, Edward W. Sheldon, Algeron S. Frissell, Stephen Baker, and Andrew Mills. Their findings were not at all harmonious on the subject of what reserves ought to be maintained by the trust companies, and not until 1911 were there signs of mutual overtures between these institutions and the management of the New York Clearing House.

On May 6th occurred the first annual dinner given by the trust companies. This took place at the Waldorf-Astoria, and it was evident, from the interchange of opinions between the six hundred bankers who attended, that a satisfactory settlement might be looked for. Three days later the Clearing House Committee acted, and, by almost unanimous vote, agreed to accept for full membership any trust company capitalized at \$1,000,000 or more, on condition that it carry the 15 per cent. reserve required by law and, further, that it maintain 10 per cent. of its deposits with a member bank. Of a total of forty-three trust companies, twenty-nine were eligible under the capitalization requirement and, of these, eighteen were duly admitted to full membership, thus happily ending a controversy and estrangement which for nine years had been marked at times by extreme bitterness on both sides.

On June 30, 1916, the total deposits of the bank and trust company members of the New York Clearing House amounted to nearly three and one half billions of dollars. The portion of this representing holdings of trust

company members was approximately one and one half billions of dollars, and it is not too much to claim that the full fellowship established five years earlier is now upon a footing of permanency and mutual advantage which will forever do away with the jealousies of years gone by.

Everywhere during recent years there has been concentration in the numbers of companies through mergers and absorptions equal almost to the increase in new organizations. For example, from 1903 to 1916 the number of companies in Greater New York has shown a net decrease from forty-seven to twenty-nine. Except for the two important suspensions previously commented upon, and a few minor insolvencies, all of this contraction has been due to mergers, the greater number of which have been alluded to in the separate sketches of the New York companies.

As to the numbers and size of all American companies, statistics since 1875, when Comptroller Knox reported 35 concerns as compiled by him, exclusive of eight Chicago companies, had never been really complete until the advent

298 Story of Trust Companies

in 1903 of the United States Mortgage & Trust Company's annual book, *Trust Companies of the United States*. Previously, in 1889, the Comptroller's report mentioned 120 companies; in 1895 the *American Bank Reporter* showed that there were 569 with total resources of 962 millions of dollars. On an earlier page of the present volume it has been shown that the *Bankers Encyclopedia* contained only 509 trust companies for the year 1896. Summaries shown in the United States Mortgage & Trust Company's book from 1903 to 1915, inclusive, reveal the following remarkable totals:

<i>Year ended June 30th</i>	<i>Number</i>	<i>Total Resources in Millions of Dollars</i>
1903	912	2910
1904	994	3138
1905	1115	3802
1906	1304	3944
1907	1480	4221
1908	1470	3917
1909	1504	4610
1910	1527	4610
1911	1616	5168
1912	1579	5490
1913	1732	5475
1914	1812	5924
1915	1777	6328



A Modern Building. Home of America's largest trust institution, the Guaranty Trust Company of New York. Southeast corner of Broadway and Liberty Street.

An interesting article written by Clay Herick in the *Bankers Magazine* in 1911 shows that on June 30th of that year there were 39 companies each reporting over \$25,000,000 of resources and that there were no less than 165 companies each of which had over \$5,000,000 of the same. The growth of five years past has, however, eclipsed over and again all previous records. In the tabulation, which now follows, it is shown that as of June 30, 1916, there were 52 companies having over \$25,000,000 of resources each, and that these with the 18 other largest companies had, in the summer of 1916, a grand total of \$4,309,756,442.80 of resources.

Here we will leave these and the host of other fiduciary concerns bearing the honored name of trust company. It would be idle to predict the possibilities of continued growth. Whatever this may show, it is not too much to claim on behalf of the trust companies of 1916 that generations to come, looking back, will say of some, if not all, of these modern money powers that, indeed, "there were giants in the earth in those days."

APPENDIX A

AGGREGATE RESOURCES AND LIABILITIES OF SEVENTY TRUST COMPANIES SHOWN
COMPARATIVELY AS OF JUNE 30, 1906, AND JUNE 30, 1916

(The companies comprise the seventy leading institutions of the country as of June 30, 1915. The 1906 figures, including those of absorbed companies—the latter printed in small type—are taken from the U. S. Mortgage & Trust Company's annual publication, *Trust Companies of the United States*)

<i>Company</i>	<i>Locality</i>	<i>June 30, 1906</i>	<i>June 30, 1916</i>
Guaranty Trust Co. of New York Fifth Avenue Trust Co. Morton Trust Co. The Standard Trust Co. of New York	Borough of Manhattan	\$49,590,874.66 20,832,769.74 54,052,383.20 16,945,445.98 \$141,421,473.58	
Bankers Trust Co. Manhattan Trust Co. The Mercantile Trust Co.	Borough of Manhattan	26,542,405.30 17,361,625.65 46,856,018.24 90,760,049.19	\$520,744,575.24 292,078,527.26

<i>Company</i>	<i>Locality</i>	<i>June 30, 1906</i>	<i>June 30, 1916</i>
Central Trust Co. of New York The Farmers' Loan & Trust Co. The Equitable Trust Co. of New York Bowling Green Trust Co. The Trust Co. of America	Borough of Manhattan Borough of Manhattan Borough of Manhattan	\$83,004,867.52 79,876,966.98	\$175,484,519.69 173,001,686.14
		<u>\$35,309,777.73</u> 24,631,929.38 75,786,373.79	
Old Colony Trust Co. Bay State Trust Co. City Trust Co.	Boston	40,019,005.63 6,250,201.00 23,065,740.02	170,709,437.29
Illinois Trust & Savings Bank The Provident Life & Trust Co. of Phila., Pa.	Chicago	69,334,946.65 106,870,463.50	149,235,869.34 128,856,525.80
Columbia Trust Co. Knickerbocker Trust Co.	Philadelphia Borough of Manhattan	73,110,728.97 7,146,930.23 73,338,758.12	105,312,362.00
The Union Trust Co. of Pittsburgh United States Mortgage & Trust Co. Union Trust Co. of New York The New York Trust Co. First Trust & Savings Bank	Pittsburgh Borough of Manhattan Borough of Manhattan Borough of Manhattan Chicago	80,485,688.35 53,835,399.88 49,299,111.79 53,508,310.68 59,730,496.58 30,854,781.21	104,922,543.43 101,589,241.33 100,072,509.00 95,714,022.49 94,457,922.23 84,730,256.98

<i>Company</i>	<i>Locality</i>	<i>June 30, 1906</i>	<i>June 30, 1916</i>
The Merchants' Loan & Trust Co.	Chicago	\$58,510,996.03	\$84,577,429.34
United States Trust Co. of New York	Borough of Manhattan	70,918,857.64	80,955,731.66
Metropolitan Trust Co. of the City of New York	Borough of Manhattan		
The Citizens Savings & Trust Co.	Cleveland	35,470,279.90	80,584,022.85
Industrial Trust Co.	Providence	44,292,983.00	70,661,825.82
Central Trust Co. of Illinois	Chicago	50,514,749.19	65,438,423.59
Colonial Trust & Savings Bank		\$13,418,191.07	
Metropolitan Trust & Savings Bank		3,286,022.49	
		6,746,541.65	
Rhode Island Hospital Trust Co.	Providence	23,450,755.21	56,558,260.90
Girard Trust Co.	Philadelphia	29,763,320.64	55,630,437.74
Title Guarantee & Trust Co.	Borough of Manhattan	43,565,552.02	54,359,346.20
Security Trust & Savings Bank (Formerly Security Savings Bank)	Los Angeles	46,675,307.69	51,890,767.66
	<i>Aug. 15, 1906</i>	16,093,798.42	
The Southern Trust Co.		1,013,131.37	51,261,813.97
		17,106,929.79	

<i>Company</i>	<i>Locality</i>	<i>June 30, 1906</i>	<i>June 30, 1916</i>
Continental & Commercial Trust & Savings Bank (Formerly The American Trust & Savings Bank) The Cleveland Trust Co. Fidelity Trust Co. Brooklyn Trust Co. Long Island Loan & Trust Co.	Chicago Cleveland Philadelphia Boroughs of Manhattan and Brooklyn	\$35,797,308.50 30,750,772.78 42,620,802.67 \$20,363,086.77 11,692,912.48	\$50,845,795.63 49,071,447.24 47,831,824.18
Empire Trust Co. Guardian Trust Co. Windsor Trust Co.	Borough of Manhattan	32,055,999.25 7,190,417.57 5,931,434.28 12,521,555.26	47,284,492.17
The Pennsylvania Co. for Insurances on Lives and Granting Annuities The Northern Trust Co. Savings Union Bank & Trust Co. (Formerly San Francisco Savings Union)	Philadelphia Chicago San Francisco <i>Aug. 15, 1906</i>	25,643,407.11 23,594,577.43 30,607,408.28 34,902,226.62	44,160,947.42 43,696,998.33 41,543,525.38 41,475,321.62

<i>Company</i>	<i>Locality</i>	<i>June 30, 1906</i>	<i>June 30, 1916</i>
Mercantile Trust Co. Missouri-Lincoln Trust Co.	St. Louis	<u>\$27,379,444.81</u> 12,668,894.30	
New York Life Insurance & Trust Co. The Guardian Savings & Trust Co. Harris Trust & Savings Bank Astor Trust Co. Union Trust Co. Lawyers Title & Trust Co.	Borough of Manhattan Cleveland Chicago Borough of Manhattan Chicago Borough of Manhattan	<u>\$40,048,339.11</u> 40,614,094.77 14,660,240.26 13,937,229.25 19,406,194.63	\$40,735,685.18 40,341,870.02 37,468,383.73 35,777,622.28 35,036,815.36 34,549,099.67 31,135,432.72
Fidelity Trust Co. Essex County Trust Co. New Brunswick Trust Co. Newton Trust Co. Union County Trust Co.	Newark East Orange New Brunswick Newton Elizabeth	<u>23,868,884.49</u> 2,819,786.87 1,371,431.21 621,469.65 3,045,325.74	
Philadelphia Trust Co.	Philadelphia	<u>31,726,897.96</u> 12,036,061.82	30,816,926.53 30,266,520.21
The Peoples Trust Co. Mississippi Valley Trust Co.	Borough of Brooklyn St. Louis	19,003,849.05 25,647,603.53	30,078,563.85 30,002,168.57

<i>Company</i>	<i>Locality</i>	<i>June 30, 1906</i>	<i>June 30, 1916</i>
Union Trust Co. of San Francisco	San Francisco	\$23,572,316.87	\$29,752,362.08
New England Trust Co.	Boston	18,667,826.48	20,557,138.66
State Street Trust Co.	Boston	9,535,781.73	28,803,374.87
Broadway Trust Co.	Borough of Manhattan	4,840,757.03	28,660,483.47
Los Angeles Trust & Savings Bank	Los Angeles	\$ 4,036,134.25	
Metropolitan Bank & Trust Co.		1,205,423.06	
Kings County Trust Co.	Borough of Brooklyn	5,241,557.31	28,280,260.17
Commercial Trust Co.	Philadelphia	14,219,421.28	27,779,349.77
Franklin Trust Co.	Boroughs of Manhattan and Brooklyn	12,749,178.50	27,742,413.17
Commercial Trust Co. of New Jersey	Jersey City	18,283,567.88	25,136,499.48
Jersey City Trust Co.		12,523,886.78	
German American Trust & Savings Bank	Los Angeles	1,615,275.37	25,082,360.83
(Formerly German American Savings Bank)			
Fidelity Title & Trust Co.	^{Aug. 15, 1906} Pittsburgh	10,113,632.01	24,807,544.16
		16,220,151.65	24,547,417.16

306 Story of Trust Companies

<i>Company</i>	<i>Locality</i>	<i>June 30, 1906</i>	<i>June 30, 1916</i>
American Trust Co. Rochester Trust & Safe Deposit Co.	Boston Rochester	\$14,907,127.68	\$24,539,108.77
Hibernia Bank & Trust Co. Commerce Trust Co.	New Orleans Kansas City	21,362,105.45 15,428,451.05	23,610,915.07 22,893,561.95
The Commonwealth Trust Co. The Union Savings Bank & Trust Co.	Boston Cincinnati	10,170,366.82	22,868,121.47 22,787,949.36
The Trust Co. of New Jersey Bergen & Lafayette Trust Co. Peoples Safe Deposit & Trust Co.	Hoboken and West Hoboken Jersey City Jersey City	18,947,797.67 <u>\$4,665,069.70</u> 2,398,758.05 5,732,648.78	22,476,331.65
Hudson Trust Co.	Hoboken and West Hoboken	12,796,476.53	21,640,065.84
The Land Title & Trust Co. Boston Safe Deposit & Trust Co. Mercantile Trust & Deposit Co. of Balto.	Philadelphia Boston Baltimore	14,488,948.72 15,226,529.04 15,695,909.86 13,415,001.66	21,257,501.45 21,184,939.52 20,833,008.01 20,531,537.13

<i>Company</i>	<i>Locality</i>	<i>June 30, 1906</i>	<i>June 30, 1916</i>
Canal Bank & Trust Co.	New Orleans	\$10,845,828.16	\$19,437,745.11
Trust & Deposit Co. of Onondaga	Syracuse	9,803,273.16	18,876,500.15
The Colonial Trust Co.	Pittsburgh	20,925,405.69	18,071,851.41
Security Trust Co. of Rochester	Rochester	11,596,845.45	16,432,427.33
Chicago Title & Trust Co.	Chicago	\$6,068,825.90	
Real Estate Title & Trust Co.	Approximately	<u>1,000,000.00</u>	10,328,152.72
Totals		<u>\$2,361,406,355.70</u>	<u>\$4,309,756,442.80</u>

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INDEX

A

Abbott, Gordon, 191
 Adams, Charles Francis, 2d, 283
 Alabama Life Insurance & Trust Co., 71
 Albany Trust Co., 168
 Aldrich, Nelson W., 278
 Alexander, H. J., 287
 — James S., 285
 Alger, Russell A., 277
 Allen, Stephen, 110
 Alley, Saul, 21
 American Bankers Association, 227, 263, 264, 266
 — Bible Society, The, 92, 94;
 United States Trust Co.
 Appointed Trustee, 92
 — Life Insurance & Trust Co., Baltimore, 29, 71
 — Trust & Savings Bank, Chicago, 188, 267
 — Trust Co., Boston, 259, 260, 306
 — Trust Co., Cleveland, 267
 Anderson, Frank B., 287
 Andrus, George, 16
 Annual Reports by Referees of the Supreme Court, 86-88
 Appleton, William H., 279
 Arbuckle, John, 280
 Arkell, William J., 283
 Armour, George, 105
 — J. Ogden, 281
 Ashbrook, William S., 311

Aspinwall, William H., 279
 Assets, Auction Sale of, 89
 Astley, Thomas, 49
 Astor, John Jacob, 21, 112, 279
 — Trust Co., New York, 239, 240, 304
 — Vincent, 285
 — William Waldorf, 285
 Atlantic Cable, Opening of, 106
 — Trust Co., 167
 Auerbach, Joseph S., 283
 Avery, M. N., 245

B

Babcock, Philip S., 267, 275
 — Samuel D., 279
 Backus, M. F., 287
 Bacon, Robert, 277
 Baer, George F., 282
 Bailey, Benjamin, 16
 Baker, Ezra H., 259
 — George F., 180, 197, 286
 — Stephen, 223, 295
 Baldwin, LeRoy W., 220
 — William H., Jr., 282
 Baltimore Fire of 1904, 228, 229
 Bancker, Charles N., 8
 Bangs, Francis S., 267
 Bank for Savings, 19
 " — Note Reporters," 102
 — of Commerce, 74
 — of New York, 29, 65
 — of North America, 1

- Bank of the State, The, Ohio,
75
— of the United States, 66
Bankers Trust Co., 108, 222,
227, 228, 268, 300
Banking Convention, First
Important, 64
Banking System, Free, 66-68
Banks, early criticism of, 34-
36
— Safety Fund, 66
— Statistics of, 53-56
Bannard, Otto T., 183, 184,
264
Barbour, William, 280
Bard, William, 21, 31, 110
Barnes, George, 255
Barnett, George E., 310
Barry, William C., 254
Bates, Dean Henry M., 272
Bay State Trust Co., Boston,
301
Bayne, Samuel G., 223
Bedford, Edward T., 280
Belmont, August, 197, 284
Bergen & Lafayette Trust
Co., Jersey City, 256, 306
Berwind, Edwin J., 281
Besler, William G., 282
Bethell, Union N., 282
Betz, John F., 281
Biddle, Nicholas, 61
Binney, Horace, 48
Black, John C., 286
Blackford, Eugene G., 279
Bliss, Cornelius N., 278
Bloodgood, Abraham, 21
Bohlen, John, 7
Boisot, Emile K., 221
Boldt, George C., 283
Bond Companies, Early, 43
— Edward P., 148
Boody, Charles A., 258
Booth, Willis, 187
Borne, John E., 267
Borough Bank of Brooklyn,
234
Boston Safe Deposit & Trust
Co., 148-150, 306
Bourne, Frederick G., 280
Bowdoin, George S., 284
Bowling Green Trust Co.,
New York, 217, 301
Bowne, Walter, 21
Bradley, Robert S., 238
Brady, Anthony N., 282
Breslin, James H., 283
Bright, Louis V., 177
Brintnall, William H., 286
Broadway Trust Co., New
York, 257, 305
Bronson, Isaac, 21
Brooklyn Bank, 234
— Trust Co., 133, 134, 257,
303
Brown, Alexander, 284
— Cyrus P., 179
— H. Martin, 179
— John Crosby, 284
Browne, N. B., 131
Buckner, Mortimer N., 184
Buffalo Trust Co., The, 75, 91
Bull, William L., 284
Burke, W. P., 210
Burrill, Ellen Mudge, 311
Busch, Adolphus, 281
Butler, Benjamin F., 22
- C
- Caldwell, Stephen A., 131
California Safe Deposit &
Trust Co., 230
Cambreleng, C. C., 16
Campbell, Felix, 258
Campbell, James, 212
Canal Bank & Trust Co.,
208-210, 247, 307, 312
Cannon, Henry W., 286
— James G., 223
Carlisle, John G., 277
Carnegie Trust Co., New
York, 289, 290
Carteret Trust Co., 256

- Case, George B., 283
 Cassatt, Alexander J., 282
 Castles, John W., 123, 196,
 236, 247
 Cator, George, 308
 Centennial Exposition, 114
 Central Bank of Hatch &
 Langdon, 100
 — Trust Co. of Illinois, Chi-
 cago, 220, 221, 302
 — Trust Co., New York,
 108, 150-152, 301
 Champlin, John T., 16
 Chapman, Elverton R., 284
 Charleston Insurance & Trust
 Co., 70
 Chemical Bank, 29
 Chicago Fire of 1871, 104,
 145, 228
 — Title & Trust Co., 249,
 307
 Choate, Joseph H., 278
 Christensen, General C. T.,
 133
 Citizens Bank (Smead, Col-
 lard & Hughes), 101
 — Savings & Trust Co.,
 Cleveland, 139-143, 277,
 302, 312
 City Bank, New York, 23, 27
 — Trust & Banking Co., New
 York, 70
 — Trust Co., Boston, 301
 — Trust Co., New York, 217
 Claflin, John, 281
 Clark, Clarence H., 131
 — Emery W., 287
 — George C., Jr., 284
 — William A., 278
 Clarke, Dumont, 286
 — Lewis L., 286
 Claxton, John, 7
 Clearing House, New York,
 82, 227, 236
 — Admission of Trust Com-
 panies to Full Member-
 ship, 274, 296
 — Certificates, Issuance of,
 233
 — Forming of, 82
 — 1916 Holdings of Trust
 Company Members, 296,
 297
 — Withdrawal of Trust Com-
 panies from, 293
 Cleveland Trust Co., 205-
 208, 268, 303, 312
 Clothier, Isaac H., 281
 Clowry, Robert C., 282
 Coffin, Charles C., 280
 Coggeshall, Edwin W., 177
 Colonial Trust & Savings
 Bank, Chicago, 302
 — Trust Co., New York, 217,
 219, 267
 — Trust Co., Pittsburgh, 252
 307
 Colt, Samuel P., 179, 280
 Columbia Finance & Trust
 Co., Louisville, 265
 Columbia Trust Co., New
 York, 238, 239, 267, 301
 Commerce Trust Co., Kansas
 City, 246, 247, 306
 Commercial Trust Co. of
 New Jersey, Jersey City,
 213, 214, 305
 — Trust Co., Philadelphia,
 253, 268, 305
 Committee of Public Safety,
 113
 Commonwealth Trust Co.,
 Boston, 261, 306
 Continental & Commercial
 Trust & Savings Bank,
 Chicago, 188, 189, 303
 — Trust Co., Baltimore,
 228
 — Trust Co., New York, 183,
 264
 Converse, Edmund C., 223,
 225, 240
 Coolidge, T. Jefferson, Jr.,
 189-191, 264

Cooper, Edward, 279
 — Peter, 83, 279
 Coppel, George, 284
 Corbin, Austin, 281
 Cornell, Robert C., 109
 Corning, Erastus, 83, 279
 Coudert, Frederic R., 283
 Cowles, J. G. W., 206
 Cox, Attila, 265
 Crane, William Murray, 278
 Cravath, Paul D., 283
 Crimmins, John D., 285
 Crocker, George, 280
 Cudahy, Patrick, 281
 Culbertson, Townley, 246
 Cumming, George M., 202
 Cutler, Ralph W., 268
 Cutting, William Bayard, 283
 Cuyler, Cornelius C., 202
 — Thomas De Witt, 253

D

Daly, Charles P., 283
 Davies, Julien T., 283
 Davison, Henry P., 223, 284
 Dawes, Charles G., 220, 278
 Dechert, Henry M., 265, 267
 Deere, Charles A., 280
 De Forest, Henry W., 283
 Delafield, Richard, 286
 Delavan, Edward C., 22
 Depew, Chauncey M., 281
 Deposits of Bank and Trust
 Company Members of
 New York Clearing
 House, 296, 297
 Dick, Evans R., 284
 — Lewis R., 286
 Dickey, Charles D., 284
*Digest of Trust Company
 Laws in the States and
 Territories*, 273, 308
 Dilloway, Chas. O. L., 286
 Disston, William, 281
 Dix, John A., 168, 279
 Doane, J. W., 105

Dod, S. Bayard, 256
 Dodge, Cleveland H., 280
 — William E., 279
 Doerr, Philip, 286
 Dolan, Thomas, 285
 Donnell, James J., 251
 Dooley, Michael F., 287
 Downer, Benjamin J., 309
 Dows, David, 123, 202
 — David, Jr., 281
 Drake, J. C., 245
 Drew, Daniel, 109, 281
 Drexel, Joseph W., 284
 Drum, John S., 244
 Dryden, John F., 282
 Du Bois, W. L., 144
 Dudley, Peter, 265
 Duer, John, 21
 Duke, James B., 280
 Dunham, J. H., 105
 Du Pont, T. Coleman, 281
 Dutilh, Charles, 112
 D'Wolf, James, Jr., 16

E

Eastman, George, 280
 Eckels, James H., 223, 278
 Eckert, Thomas T., 282
 Elkins, Stephen B., 277
 Elliott, Howard, 282
 — J. M., 287
 — Wm. T., 286
 Ellis, Rudolph, 131
 Empire Trust Co., New York,
 219, 220, 303
 Endicott, Wm., Jr., 143
 Equitable Trust Co., New
 York, 217-219, 301
 Erie Canal Trust & Banking
 Co. of Buffalo, The, 69
 Erringer, J. Livingston, 144
 Essex County Trust Co.,
 East Orange, 178, 304
 Evans, Cadwallader, 7
 — Henry, 282
 — Wilmot R., 286

Evarts, Wm. M., 277
Events, Early, 18-20, 32, 33

F

Faber, Eberhard, 280
Failures, 237
Fairchild, Charles S., 183, 277
— Julian D., 258
Fairfield Loan & Trust Co.
of Connecticut, 61
Farmers Fire Insurance &
Loan Co. (*see below*)
Farmers' Loan & Trust Co.,
The, New York, 11-17,
19-21, 29, 32, 36-47, 58,
71, 75, 91, 107-110, 121,
301
Farmers Trust Co. of Lan-
caster, Pa., 2
Farnam, Henry, 105
Farrelly, Stephen, 281
Federal Reserve Bank, 212,
225, 260
Federal Trust Co., Cleveland,
250, 291
Ferry, Daniel M., 280
Fessenden, Russell G., 259
Fidelity Title & Trust Co.,
Pittsburgh, 251, 252, 305
— Trust & Safety Vault Co.,
Louisville, 265
— Trust Co., Newark, 304
— Trust Co., Philadelphia,
128-132, 177-179, 303,
311
Field, Cyrus W., 282
— Marshall, 105, 279
Fifth Avenue Trust Co.,
New York, 197, 300
Fillmore, Millard, 67
First National Bank, Brook-
lyn, 233
— Trust & Savings Bank,
Chicago, 221, 222, 301
Fish, Preserved, 65

Fish, Stuyvesant, 281
Fitzgerald, Louis, 226
Flagler, Henry M., 280
Flint, Charles R., 285
Flower, Roswell P., 279
Flynn, S. R., 286
Forbes, Allan, 261
— Allen B., 284
Forgan, David R., 286
— James B., 221, 286
Francis, David R., 278
Franklin, Thomas, 16
— Trust Co., Brooklyn, 180-
182, 264, 305
Free Banking Act, 68, 69, 73
"— Money Banks," 70
Frew, Walter E., 286
Frick, Henry C., 185, 280
Fries, Col. F. H., 268
Frissell, Algernon S., 295
Frothingham, I. H., 122
— Thomas, 253
Fryer, Robert L., 287
Fuller, Melville W., 106
— Oliver C., 268

G

Gage, Lyman J., 117, 272,
277, 309
Gallatin, Albert, 65
Gallaway, Robert M., 286
Gannon, John J., 247
Garfield, Harry A., 283
— James A., 140, 277
Garrett, John B., 115
— Robert, 281
Garth, Granville W., 223
Gary, Elbert H., 280
Gaston, William A., 287
Gates, Thos. S., 144
Gawtry, Harrison E., 280
Gaynor, William J., 259, 279
Geller, Frederick, 283
Georgia Insurance and Trust
Co., 71

- German-American Trust & Savings Bank, Los Angeles, 245, 246, 305
 Gerry, Elbridge T., 180, 283
 Gest, John B., 131
 — William P., 131, 309
 Gibson, F. B., 265
 Gill, John, of R., 252
 Girard Trust Co., Philadelphia, 50-52, 76, 107, 113-115, 267, 302
 Given, T. H., 287
 Glynn, Martin H., 279
 Goddard, Leroy A., 286
 Goelet, Robert, 123
 — Robert W., 285
 Goff, Frederick H., 206, 268
 Goodhue, Jonathan, 21
 Gould, Edwin, 285
 — Frank J., 282
 — George J., 282
 Grace, William R., 279
 Grant, Frederick D., 274
 — Hugh J., 279
 — Rollin P., 286
 Gratz, Hyman, 49
 Gray, Cyrus S., 251
 Griggs, John W., 277
 Griscom, Clement A., 285
 Griswold, George, 16
 Guaranty Trust Co., New York, 108, 195-200, 202, 247, 300, 310
 Guardian Savings & Trust Co., Cleveland, 250, 251, 268, 304
 — Trust Co., New York, 220, 303
 Gubelman, Oscar L., 284
 Guggenheim, Daniel, 283
 — Isaac, 283
- H
- Hamill, Ernest A., 286
 Hamilton, Andrew, 308
 Hamilton Trust Co., Boston, 262
 Hanna, Marcus A., 278
 Hardenbergh, John W., 213
 Harison, Richard, 16
 Harmon, Judson, 277
 Harper, William Hudson, 311
 Harriman, Edward H., 282
 Harris, Albert W., 248
 — Edward, 254
 — Norman W., 248
 — Trust & Savings Bank, Chicago, 248, 249, 304
 Hart, Francis R., 191
 Hartford Trust Co., 268
 Hartley, Marcellus, 280
 Harvey, George, 283
 Haugan, Helge A., 286
 Havemeyer, Henry O., 280
 — Theodore A., 280
 Haven, George G., 235
 Hawley, Edwin, 282
 Hay, John, 140, 277
 Heaton, Ernest, 308
 Heckscher, August, 285
 Heebner, Samuel L., 144
 Hellman, Isaias W., 204
 — I. W., Jr., 204
 — M. S., 186
 Hemphill, Alexander J., 196
 — James, 8
 Henderson, Charles R., 202
 Hendricks, Francis, 255
 Hendrix, Joseph C., 286
 Hepburn, A. Barton, 223, 295
 Heppenheimer, General William C., 256
 Herrick, Clay, 215, 299, 308
 — Myron T., 278
 — Robert F., 286
 Heurtley, Arthur, 265
 Hewitt, Abram S., 279
 Heyer, Cornelius, 65
 Hibernia Bank & Trust Co., New Orleans, 247, 306
 Hibernian Banking Association, Chicago, 249, 250

Higginson, Henry L., 284
 Hill, James J., 281
 — Louis K., 281
 Hillhouse, Thomas, 166, 168
 Hine, Francis L., 286
 Hinman, G. P., 86
 Hodenpyl, Anton G., 267
 Hoe, Robert, 279
 Hoffstott, F. N., 280
 Holiday, John H., 265
 Holland Purchase, 12
 Hone, Philip, 21
 Hooper, James R., 143
 — Wm., 101
 Hotchkiss, Henry L., 282
 Howard Trust & Banking
 Co., Troy, 70
 Hudson Trust Co., Hoboken,
 256, 306
 Hughes, Charles E., 310
 — Committee, 295
 Hughitt, Marvin, 282
 Hulbert, Edmund D., 105
 Hunt, Wilson G., 83
 Huntington, Collis P., 282
 Hyde, Henry B., 282
 — James H., 282

I

Ickelheimer, Henry R., 284
 Ide, George E., 282
 Illinois Trust & Savings
 Bank, Chicago, 145, 146,
 301
 Imbrie, James, 284
 Industrial Trust Co., Provi-
 dence, 179, 180, 302
 International Trust Co., Den-
 ver, 265
 — Trust Co., New York,
 234
 Irby, W. R., 210
 Iselin, Adrian, Jr., 284
 Ives, General Brayton, 168

J

Jackson, A. A., 267, 309
 — Henry C., 286
 — John B., 251
 James, William, 16, 21
 Jamison, William A., 281
 Janney, Nathaniel E., 176
 Jay, Peter Augustus, 21
 — Pierre, 272
 Jennings, E. H., 252
 Jersey City Trust Co., 305
 Jesup, Morris K., 279
 Jewett, Hugh J., 283
 Johnson, Edward, 258
 — Francis M., 149
 Johnston, John 16
 — John Taylor, 281
 Jones, Breckinridge, 193, 265,
 267, 269
 — Edward R., 21
 Jordan, Noah W., 259
 Juilliard, Augustus D., 281

K

Kahn, Otto H., 284
 Kean, John, 278
 Keep, Charles H., 238
 Kelly, Eugene, 279
 Kelsey, Clarence H., 169
 Kemper, W. T., 246
 Kennedy, John S., 152, 279,
 285
 Kent, James, 21
 Kerr, Walter, 111
 King, A. Gracie, 284
 — Edward, 123, 235
 — John, 182
 — Willard V., 238
 Kings County Trust Co.,
 Brooklyn, 258, 259, 305
 Kinney, Thomas T., 178
 Kirkbride, F. B., 308
 Knapp, Shepherd, 83, 109, 284
 Knickerbocker Savings Insti-
 tution, 84

Knickerbocker Trust Com-
pany, New York, 231,
237, 238, 301
Knower, Benjamin, 22
Knox, John J., 53, 79, 161, 297
— Philander C., 185, 277
Kountze, Luther, 284
Kreech, Alvin W., 218
Kruttschnitt, Julius, 282

L

Ladd, William M., 287
Lamont, Daniel S., 277
— Thomas W., 286
Land Title & Trust Co.,
Philadelphia, 172, 174-
176, 306, 311
Landon, Charles G., 202
Lane, Gardiner M., 284
Lanier, Charles, 284
Larkin, John D., 281
Larocque, Joseph, 283
La Salle Street Trust & Sav-
ings Bank, Chicago, 290
Lawrence, A. H., 16
— Amos A., 143
— Frank R., 283
— Joseph, 83, 86
— William B., 21
Lawyers Title & Trust Co.,
New York, 176, 177, 304
Leavitt, David, 76
Ledyard, Lewis Cass, 283
Leeds, William B., 282
Leggett, Francis H., 281
Leiter, Levi Z., 281
Lenox, Robert, 21
Lewis, Charlton T., 283
— Gabriel L., 16
Lewisoohn, Adolph, 283
Life Policy, Old "Farmers,"
46, 47
Lincoln, Robert T., 277
Lincoln Trust Co., New York,
232
— Trust Co., St. Louis, 265

Lloyd, Horatio G., 253
Loasby, Arthur W., 255
Lockport Bank & Trust Co.,
69, 70
Logan, William, 223
Long, John D., 278
Long Island Loan & Trust
Co., Brooklyn, 303
Longstreth, Joshua, 7
Longyear, W. D., 186
Lord, David J., 262
Loree, Leonor F., 282
Lorillard, Peter, 21
Los Angeles Trust & Savings
Bank, 244, 245, 305
Lounsbury, Phineas C., 286
Low, Abiel A., 123, 180, 279,
202
Lowry, Robert J., 287
Ludlow, Thomas W., 21
Luhnow, Christian A., 216

M

McAdoo, William G., 277
McAllister, Jas. R., 286
McBride, James, 16
McCall, John A., 282
— Samuel W., 272
McCarter, Uzal H., 178
McCormick, Cyrus H., 105,
280
McCrea, James, 282
McCulloch, J. S., 286
McCurdy, Richard A., 282
— Robert H., 284
McCutchen, Charles W., 281
McEldowney, H. C., 186
McGarrah, Gates W., 224
McIntosh, H. P., 250, 268
McIntyre, Archibald, 16
McKean, J. S., 186
McKinney, Frank C., 309
McLucas, W. S., 246
McMillan, Hugh, 280
McMillin, Emerson, 280
Mackay, Clarence H., 282

Mactier, Henry, 16
 Macy, William H., 279
 Magee, James, 16
 Maitland, Thomas, 284
 Mallinckrodt, Edward, 281
 Manhattan Company, Bank
 of the, 29, 30
 — Trust Co., New York, 226,
 300
 Manning, Daniel, 277
 Marshall, Benjamin, 16
 Marston, Edgar L., 224
 — Edwin S., 109, 236, 295
 Martindale, Joseph B., 286
 Mason, John H., 21, 268
 Mather, Robert, 282
 — Wm. G., 267
 Maynard, Edwin P., 133
 Mechanics Bank, 57
 — Trust Co. of New Jersey,
 Bayonne, 312
 Mellen, Charles S., 282
 Mellon, A. W., 184
 Menefee, R. C., 246
 Mercantile Trust & Deposit
 Co., Baltimore, 252, 253,
 306
 — Trust Co., New York,
 226, 300
 — Trust Co., St. Louis, 210-
 213, 267, 304, 309
 — Trust Co., San Francisco,
 230
Merchants and Bankers Al-
manac of 1868, 137
 Merchants Exchange Co., 78,
 79
 — Loan & Trust Co., The,
 Chicago, 103-107, 117,
 302
 Meredith, William, 65
 Merrill, Edwin G., 123
 Mershon, Leroy A., 275
 Metropolitan Bank & Trust
 Co., Los Angeles, 244, 305
 — Trust & Savings Bank,
 Chicago, 221, 302

Metropolitan Trust Co., New
 York, 166, 167, 302
 Meyer, George von L., 277
 Michener, Harry B., 286
 Michigan Trust Co., Grand
 Rapids, 267
 Miller, C. S., 48
 — Theodore F., 133
 Mills, Andrew, 295
 — Darius O., 285
 — Ogden, 285
 Mississippi Valley Trust Co.,
 St. Louis, 192-194, 264,
 265, 267, 304, 310
 Missouri-Lincoln Trust Co.,
 St. Louis, 304
 Mitchell, John J., 146
 — Dr. S. Weir, 283
 Morgan, Edwin D., 166, 279
 — J. Pierpont, 152, 202, 232,
 236, 238, 284
 — J. P. & Co., 232
 Morgenthau, Henry, 278
 Morris, Calvary, 206
 — Effingham B., 115
 — Harrison S., 48, 311
 Morse, E. Rollins, 284
 Mortimer, Frank C., 309
 Morton, Joy, 281
 — Levi P., 180, 197, 277
 — Paul, 278
 — Trust Co., New York, 197,
 300
 Moses, George W., 286
 Mott, Jordan L., 279
 Mumford, George S., 262
 Munsey, Frank A., 283
 Murray, Lawrence O., 278
 Murtha, William H., 258
 Mutual Life Insurance Co.,
 The, 80

N

Nash, William A., 286
 National Bank of Commerce,
 New York, 231

National Banking Act, 103
 — City Bank, New York, 56,
 57
 — Safety & Trust Co., 76
 Nettleton, Charles H., 280
 Newberry, Truman H., 278
 Newbold, George, 65
 New Brunswick Trust Co.,
 N. J., 178, 304
 Newcomb, H. R., 143
 New England Trust Co.,
 Boston, 143, 144, 305,
 309
 Newton Trust Co., N. J.,
 178, 304
 New York Life Insurance &
 Trust Co., 18-31, 40-42,
 58, 65, 71, 75, 80, 91,
 107, 110-112, 304
 — Security & Trust Co.,
 The, 183
 — Trust Co., The, 183, 184,
 301
 — Trust & Banking Co.,
 74
 Nicholson, William R., 176
 Nicoll, De Lancey, 283
 Norcross, Otis, 143
 North American Trust &
 Banking Co., 69, 74,
 76-78
 — Trust Co., 217
 Northern Trust Co., Chicago,
 247, 248, 264, 303
 Norton, D. Z., 143

O

Oakley, Thomas J., 22
 Oakman, Walter G., 196
 Ohio Life Insurance & Trust
 Co., 29, 58-60, 74, 75,
 95-100
 Olcott, Frederic P., 150, 151
 Old Colony Trust Co., Bos-
 ton, 189-192, 264, 301,
 312

Olney, Richard, 277
 Olyphant, Robert, 281
 Orr, Alexander E., 197, 281

P

Packard, C. S. W., 112
 — Edwin, 182, 196
 Page, Edward Sydenham,
 311
 Panic, of 1819, 10
 — of 1837, 33, 63, 64, 81
 — of 1857, 97, 98, 99, 101,
 102
 — of 1873, 146, 147, 148
 — of 1893, 201
 — of 1907, 231-236; Govern-
 ment Relief Plan, 234;
 Statement of Comp-
 troller of the Currency,
 235
 Parish, Henry, 110
 Paul, Henry N., 112
 Patterson, C. Stuart, 286
 Paul Revere Trust Co., 260
 Payne, Henry B., 140
 Peabody, Charles A., 282
 — S. Endicott, 259
 Peace, Joseph, 7
 Pennsylvania Co. for Insur-
 ances on Lives and Grant-
 ing Annuities, The Phila-
 delphia, 2, 4-9, 48-50,
 76, 107, 112, 113, 303,
 311
 People's Safe Deposit &
 Trust Co., Jersey City,
 256, 306
 — Trust Co., Brooklyn, 257,
 258, 304
 Perine, Edward T., 203, 309
 Perkins, George W., 224, 284
 Phelps, Dudley B., 255
 — John J., 83
 — William Walter, 278
 Philadelphia Trust Co., 144,
 304

Phipps, Henry, 280
 Pierce, H. Clay, 285
 Pierson, Lewis E., 286
 Plant, Morton F., 285
 Platten, John W., 202
 Poillon, William C., 226, 268
 Political Events, Early, 3-5,
 10, 18, 19
 Pope, Albert A., 281
 Porter, William H., 224, 284
 Post, A. H. S., 252
 Potter, Edwin A., 188, 267
 Pratt, Charles M., 280
 Preston, Andrew W., 286
 Prime, Nathaniel, 21
 Prince, F. M., 287
 Prosser, Seward, 225
 Provident Life & Trust Co.,
 Philadelphia, 124-127,
 301
 Pruy, Robert C., 287
 Pullman, George M., 105,
 281
 Purves, G. Colesberry, 286
 Putnam, William E., 150

R

Raguet, Condly, 8
 Randolph, Edmund D., 284
 Ransom, Frederick H., 145
 — S. W., 145
 Ravell, Charles H., 311
 Raven, Anton A., 282
 Rea, Samuel, 282
 Real Estate Title & Trust
 Co., Chicago, 307
 Ream, Norman B., 285
 Red Bank Trust Company,
 178
 Redmond, Henry S., 284
 Reid, Daniel G., 224, 280
 — Whitelaw, 278
 Remsen, Peter, 21
 Reserves, Trust Company,
 291-296
 Revell, Alexander H., 281

Reynolds, George M., 188,
 250, 286
 Rhoades, John Harsen, 286
 — Joshua, 252
 Rhode Island Hospital Trust
 Co., Providence, 134,
 135, 164, 302
 Richards, Benjamin W., 51,
 113, 115
 Richardson, Charles, 175
 Richmond Trust & Safe
 Deposit Co., 267
 Ridgway, Thomas, 115
 Riker, John J., 281
 Riley, Harrison B., 249
 Ripley, Edward P., 282
 Robb, Russell, 282
 Robberies, 129, 130
 Roberts, Marshall O., 279
 Rochester Trust & Safe De-
 posit Co., 253, 306
 Rockefeller, William, 280
 Rogers, Henry H., 280
 Rogerson, Charles E., 150
 Rolston, Rosewell G., 109
 Roosevelt, W. Emlen, 285
 Root, Elihu, 277
 Ropes, Ripley, 133
 Rue, Levi S., 286
 Russel, William W., 16
 Ryan, Thomas F., 180, 285

S

Sabin, Charles H., 196
 Safe Deposit & Trust Co.,
 Baltimore, 228
 — California, 230
 Sage, Russell, 122, 284
 St. Louis Trust Co., 265
 Saltus, Francis, 16
 Sands, B. Aymar, 283
 — Oliver J., 287
 San Francisco Fire of 1906,
 229, 230
 Sartori, J. F., 186
 Satterlee, Herbert L., 238

- Savings & Loan Society, San Francisco, 243
 — Union Bank & Trust Co., San Francisco, 243, 244, 303
 Scarborough, W. W., 101
 Schaffner, Margaret Anna, 309
 Scheerer, Wm., 287
 Schefer, Carl, 281
 Schell, Christian, 16
 Schieren, Charles A., 279
 Schiff, Jacob H., 180, 284
 — Mortimer L., 284
 Schlatter, William, 8
 Schley, Grant B., 284
 Schmidlapp, J. G., 251
 Schmidt, Edward A., 286
 Schwab, Charles M., 280
 Scribner, Charles, 279
 Security Title & Trust Co., Chicago, 265
 — Trust & Savings Bank, Los Angeles, 186-188, 302
 — Trust Co. of Rochester, 254, 307
 Seligman, Isaac N., 284
 Sellers, Frank H., 265
 Sergeant, John, 48
 Seymour, Henry, 46
 Sharp, Samuel S., 286
 Shaughnessy, Sir Thomas G., 282
 Shaw, G. B., 188
 — Leslie M., 277
 Sheldon, Edward W., 117, 236, 295
 Sherman, James S., 277
 Shipley, Samuel R., 126
 Shoemaker, Jacob, 8
 Shonts, Theodore P., 282
 Shortridge, N. Parker, 282
 Sigel, Franz, 278
 Simmons, E. C., 281
 — J. Edward, 286
 Skelding, Francis H., 224
 Sloan, Samuel, 281
 Sloane, William D., 281
 Smith, Charles Emory, 272
 — Byron L., 248
 — George T., 287
 — J. Moreau, 254
 — Orson, 105
 — Solomon A., 105, 248
 — V. Moreau, 254
 Smyth, Lindley, 112
 Snow, Elbridge G., 282
 Snyder, Valentine P., 285
 Southard, George H., 182, 264
 Southern Life Insurance & Trust Co., St. Augustine, 60, 61, 71
 — Trust Co., Los Angeles, 302
 Spaulding, Henry F., 150
 Specie Payments Suspended, 10, 63, 65, 102, 237
 Spencer, Samuel, 282
 Sperry, Jacob, 7
 Speyer, James, 284
 Spreckels, Claus, 280
 Standard Trust Co., New York, 300
 State Banks, Growth of, 79
 — Street Trust Co., Boston, 260-261, 305, 312
 — Trust Co., New York, 267
 Steele, Charles, 284
 Steinway, William, 279
 Sterling, John W., 283
 Stern, Louis, 281
 Sterrett, J. E., 308
 Stetson, C., 98
 Stevenson, Adlai E., 277
 — John, Jr., 280
 Stewart, John A., 84, 86, 116
 — Lisenard, 283
 Stickney, George E., 189
 Stillman, James, 180, 285
 Stilwell, Arthur E., 282
 Stites, John, 265
 Stockton, Philip, 191
 Stone, Frederick M., 149

Storm, Garrit, 22
 Stotesbury, Edward T., 284
 Straus, Isidor, 281
 — Jesse I., 281
 Strong, Benjamin, Jr., 225
 Strong, William L., 279
 Sullivan, James F., 286
 Sumner, William Graham,
 308
 Superintendent of Banks,
 Office Established at Al-
 bany, 75
 Suspensions and Failures,
 288-290
 Swayne, Wager, 278
 Swinney, Edward F., 224

T

Taft, Wm. H., 274
 Talcott, James, 284
 Tallmadge, James, 16
 Tatnall, Henry, 282
 Taylor, Moses, 109, 279
 — Roland L., 144
 Testamentary Trusts, Not-
 able, 106, 132, 133, 142,
 194, 212, 258
 Thalmann, Ernst, 284
 Thayer, Eugene V. R., 287
 Thomas, Douglas H., 287
 — Eben B., 282
 — Samuel, 282
 — Seth E., 280
 Thompson, David, 110
 — John, 99
 — John F., 224
 — Samuel, 21
 Tierney, Myles, 256
 Tiffany, Charles L., 279
 Tilden, Samuel J., 279
 — William, A., 286
 Tileston, Thomas, 109, 284
 Tilford, Frank, 281
 Tilley, John D., 265
 Title Guarantee & Trust Co.,

New York, 169-172, 265,
 292, 302
 Title Insurance & Trust Co.,
 Philadelphia, 267
 Tompkins, C., 265
 Townsend, Edward M., 286
 — Isaiah, 21
 — John R., 110
 — Thomas S., 16
 Tracy, Benjamin F., 277
 — Frederick A., 16
 Tradesmen's Bank, 65
 Trenholm, William L., 278
 Trumbull, Frank, 282
 Trust and Banking Co.,
 Troy, 70
 Trust & Deposit Co. of Onon-
 daga, Syracuse, 255, 307
 Trust Companies, Chart of,
 1907, 215
 — Earliest Reports, 28
 — Early Decisions on, 84, 85
 — First Reliable Statistics of,
 153, 161-164
 — Reports of Federal Comp-
 troller, 159, 160, 165
 — Reports on, Ordered by
 State Senate, 90
 — State Superintendent's Re-
 port (1874), 158, 161
 — State Supervision of, 153-
 158
 — Stability of (1893), 201
 — Statistics (since 1875),
 297-299
 — Suspensions of, 147
Trust Companies, Forms for,
 273, 309
Trust Companies of the
United States, 203, 242,
 298, 308
Trust Companies—Magazine,
 216, 228
 Trust Company Committee,
 New York, 235-237
 — Figures, *Bankers Encyclo-*
 pedia (1896), 200

- Trust Company, Functions,
118-121, 208
— Plan in Other Countries,
240, 241
— Section, 263-275; Presi-
dents and Meeting
Places, 267, 268
— *Proceedings*, 271
— Suspensions, 235
— of America, 217, 232, 267,
301
— of New Jersey, Hoboken,
256, 306
— of the Republic, New York,
290
Tuckerman, Charles S., 189
Turnbull, Arthur, 202, 284
— William, 279
Tuttle, Lucius, 282
Twohy, D. N., 287
Tyrell, John, 105

U

- Union Bank & Trust Co., of
New London, Conn., 2
— County Trust Co., Eliza-
beth, 178, 304
— Savings Bank & Trust
Co., Cincinnati, 251, 306
Union Trust Co., Boston, 291
— Chicago, 144, 304
— Indianapolis, 265
— New York, 122-124, 247,
301
— Pittsburgh, 184-186, 301
— Providence, 235
— St. Louis, 265
— San Francisco, 204, 205,
305
United States, Bank of the, 25,
28, 57, 64; Second, 33, 61
— Bank of Pennsylvania, 61-
63
— Mortgage & Trust Co.,
New York, 202-204, 264,
301, 308

- United States Trust and
Banking Co., 69
— Trust Co., 80, 82-92, 107,
116, 117, 302, 311

V

- Vail, Theodore N., 282
Valentine, Patrick A., 281
Vanderbilt, Alfred G., 285
— Commodore Cornelius,
109, 123, 281
— Cornelius, 285
— Frederick, W., 197
— William H., 123, 281
Vanderlip, Frank A., 285
Van Horne, Sir William C.,
282
Van Norden Trust Co., 292
Van Rensselaer, Stephen, 21
Van Tuyl, George C., Jr., 168
Verplanck, Gulian C., 21
Viele, John L., 16
Vietor, Thomas F., 281
Vilas, William F., 277
Villard, Oswald G., 283
Vogel, F. B., 312
— Fred, Jr., 287

W

- Wachovia Loan & Trust Co.,
Winston-Salem, N. C.,
268
Wade, Festus J., 210, 267
— Jephtha H., 140, 143
Wadsworth, James S., 123,
278
Wagner, Edwin L., 286
Wales, Salem M., 283
"Wall Street Chorus, The,"
72
Wallace, James N., 151, 236
Walmsley, R. M., 209
Walsh, Julius S., 193
Wanamaker, John, 277
— Thomas B., 281

Warburg, Paul M., 284
 Ward, A. Montgomery, 281
 Warder, Jeremiah, Jr., 7
 Waring, Orville T., 280
 Washburn, W. J., 187
 Washington Trust Co., West-
 terly, R. I., 2
 Waterbury, John I., 226, 236
 Watson, Clarence W., 278
 — James S., 254
 — Robert C., 254
 Weld, C. Minot, 286
 Wells, Herbert J., 136
 Welsch, John, 8
 Westinghouse, George, Jr.,
 280
 Weyerhauser, Frederick E.,
 280
 Wheaton, Henry, 16
 Whitaker, Edwards, 287
 White, David, 16
 — Horace, 279
 Whitelaw, John F., 250
 Whitney, David R., 143
 — Harry Payne, 285
 — Stephen, 22
 — William C., 277
 Widener, Peter A. B., 285
 Wiggin, Albert H., 224
 Wigglesworth, George, 143
 Williams, Clark, 267
 — George, G., 286
 — John Skelton, 267, 278
 — Micajah T., 58
 — Moses, 261

Williamsburg Trust Co., 234
 Williamson, Dow D., 109
 Willis, H. Parker, 273
 Windsor Trust Co., New
 York, 220, 303
 Wing, Asa S., 127
 Winslow, Sidney W., 281
 Winsor, Robert, 224
 Winthrop, Henry Rogers, 284
 Wisconsin Trust & Security
 Co., Milwaukee, 268
 Woerheide, A. A. B., 265
 Wood, Arthur King, 182
 Woodbury, Levi, 53
 Woodford, Stewart L., 278
 Woods, Dr. W. S., 246
 Woodward, James T., 286
 Woolverton, Samuel, 224
 Woolworth, Frank W., 281
 Worthington, George, 140
 Wright, Clifford B., 251
 Wrigley, William, Jr., 280

Y

Yoakum, Benjamin F., 282
 Yorke, Samuel, 7
 Young, Edward F. C., 224
 — George W., 202, 264

Z

Ziegler, William, 281

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